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FOREWORD BY THE HONOURABLE MAYOR



ChThe Annual Report reflects on the performance of the Municipality for the period 1 July 2009 to 30 June 2010. This report was prepared in line with the provisions of section 121(1) of the Municipal Finance Management Act, and section 46(1) of the Municipal Systems Act of 2000, in terms of which the Municipality must prepare an Annual Report for each financial year. Circular 11 of the MFMA also provides guidelines on the formulation and preparation of the Annual Report.

As Phokwane Municipality, we are mindful of the progress made in building a stable and financially viable and sustainable Municipality. Democracy in South Africa is underpinned by a contract between the citizens and the authority that governs them. This is especially true at Municipalities because we are the closest sphere of government that is mandated by our constitution to ensure that our communities are provided with efficient and sustainable services that will improve their lives for the better. In terms of this social contract, we as elected public representatives are required to involve our community in decisions regarding their own government, including the determination of priorities and other programmes of the Municipality.

This sphere of government is tasked to create the participatory framework that enhances the social contract between the representatives and the ordinary community members. This contract dictates that the leadership of the municipality provides regular reporting on programme performance as well as the general state of affairs of the municipality. At this juncture, we have to look back on what we have achieved, where we have failed and the areas that we still have to improve to better the lives of our people.

We have to admit that although we have managed to achieve a number of milestones, there is more to be done. We have now appointed the Chief Financial Officer who in the short period that he has worked for our Municipality has been able to turn around the Finance Department. We believe that with time, we will be able to close the skills gap that is sometimes hindering our performance as a Municipality. In the year under review, we have managed to improve the solid foundation that has already been built since the transformation of the local government sphere in 2000.

We will not rest on our laurels but will work very hard and tirelessly to make the necessary improvements where we experience shortfalls. We will achieve a lot if we, as public representatives work closely with our community because as the government's slogan goes

'WORKING TOGETHER, WE CAN DO MORE'

V Khen

Hon. Vuyisile Khen

'Unity Conquers'



OVERVIEW BY THE MUNICIPAL MANAGER



In presenting the annual report for 2009/2010, it will be important to highlight the success, achievements and shortfalls for the year under review. The reflection of this financial year shows serious improvement, although there are backlogs of service delivery in Phokwane Municipality.

Chapter 7 of the Constitution of RSA, Act 108 of 1996, provides clear objectives for local government. These objectives as set in this document are prescribing a route for municipalities as established by the Local Government Structures Act of 1998. The outgoing Council accepted an Integrated Development Plan (IDP) of the municipality and continued to review this document as per community inputs.

Policy

Council approved policies this financial year, starting in order to enhance efficiency and effectiveness and day to day running of the institution. Council approve policies regulating finances and human resources. Some of the policies like Credit Control Policy which is now a By-Law was enforced in full.

Governance

In the year under review Council, Executive Committee and Potfolio Committees were sitting more periodically according schedules. Attendance of meetings was much better than the previous years. It shows clearly that Council was at work in this financial year. Some political structures were reviewed, where the Speaker was removed an Acting Speaker was appointed. Executive Committee was changed with an inclusion of a new member.

Administration

The administration was also strengthened by the appointment of the Director- Finance and Financial Interns. These appointments made an impact in the finance department in a short period although the audit report could not change immediately. The municipality managed to update reconciliations, and submitted Annual Financial Statement 2009/2010.

The municipality established an Internal Audit function, where the Internal Audit Manager is appointed. The municipality advertised on papers inviting the public to serve in the Audit Committee. All these achievements and successes, are intending to improve the municipality performance in service delivery.

The organizational structure of the municipality was also reviewed to focus it to service delivery. Some additions of new positions which were excluded in the structure were also included.

Service Delivery

In the financial year 2009/2010, the municipality manage to spend the Municipal Infrastructure Grant on infrastructure projects that were successfully completed. The allocation was spend all before the end of the financial year.



The municipality received housing allocations from the Department of Human Settlement. The Department of Cooperative Governance, Human Settlement and Traditional Affairs allocated funds for the Housing projects in Jan Kempdorp, Pampierstad and Thagadiapelang. The projects are making serious impact in the lives of the communities affected.

The department of Sports, Arts and Culture also provided funds for the building of a new library in Hartswater. This is a state of the art building with access to internet and e-mail. The users will have access to those facilities using passwords.

The municipality received funds from the Department of Public Works, Roads and Transport for developing a taxi route in Jan Kempdorp. The taxi operators and the community members are delighted about this development because they will rest from the dust that was caused by the movement of taxis the whole day.

Public participation

The municipality had public participation project ranging from consultations, public meetings, stakeholders meetings, imbizos and ward meetings. The municipality has consulted communities on IDP review, Proposed Budget, Policies, and Projects Implementation. On the other hand, Ward Councillors are holding community meetings in different wards.

For those who cannot attend meetings, the municipality is publishing documents, eg IDP, Budget on Website and different offices for public comments. The municipality has a website which communities can access and also a municipal newsletter which circulates quarterly.

The municipality have 9 functional ward committees that enhance public participation. They are reporting monthly to Council through the Ward Committee Coordinator and the Acting Speaker.

Youth Development

The municipality reviewed the organizational structure and included the Youth Development unit. This unit is responsible youth issues. The intention of this youth development unit, replaced the Special Programmes Coordinator which was responsible for all programmes. In reviewing this, situation the municipality wanted to focus on specific programmes in a phase in approach. Therefore, it expected that in the following year, youth development will have to report fully on performance.

Conclusion

This annual report 2009/2010, outlines in details the activities of the year under review. The report will reflect departmental achievement and challenges. Some of these departments like the finance still face serious challenges even after appointing key personnel. However, we believe we are on right track in achieving the strategic objectives of reconstruction.

I would like to thank the Hon Mayor, Speaker, Councillors, Colleagues and Staff for their support and patience and believing that we shall overcome. I believe that this support and patience adds to achievements and successes of 2009/2010.

I thank you.

M Dichaba
Moeketsi Dichaba
Municipal Manager



CHAPTER 1

INTRODUCTION AND OVERVIEW

OUR VISION

To be a developmental municipality in the creation and maintenance of sustainable human settlement that result in social and economic development for all citizens.

OUR MISSION

To strive, within given resources, towards efficient, effective and sustainable measures to reduce poverty and stimulate local economic growth.

VALUES AND PRINCIPLES

As Phokwane Local Municipality we dedicate and commit ourselves to the “Batho Pele” principles and the following values;

- To be customer friendly orientated organisation
- Ensure equality in the provision of services
- Promote teamwork between Councillors, Officials and the Community
- Instil loyalty and honesty amongst all our employees
- Treat people equally and with respect
- Promote cooperative governance
- Reflect diversity i.e race, gender, culture and people with disability
- Ensure efficient and effective institution

CONSTITUTIONAL MANDATE FOR LOCAL GOVERNMENT

Chapter 7, section 152(1) objects of local government gives local government the following mandate;

- a) To provide democratic and accountable government for local communities
- b) To ensure provision of services to communities in a sustainable manner
- c) To promote social and economic development
- d) To promote a safe and healthy environment, and
- e) To encourage the involvement of communities and community organizations in the matters of local government.

Subsection 2, states that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection 1.



CONTACT INFORMATION

POSITION	NAME	TEL. NO	E-MAIL
Mayor	Vuyisile Khen	053 474 9700	khen@phokwane.gov.za
Speaker	Martha Motshabi	053 474 9700	motshabi@phokwane.gov.za
Municipal Manager	Moeketsi Dichaba	053 474 9700	dichaba@phokwane.gov.za
Acting Chief Financial Officer	Hestelle Basson	053 474 9700	basson@phokwane.gov.za
Corporate Services & Dev. Planning Manager	Morgan Motswana	053 474 9700	mam@phokwane.gov.za
Technical Manager	Tshiamo Pitso	053 474 9700	pitso@phokwane.gov.za
Unit Manager: Pampierstad/Hartswater	Willie De Jongh	053 474 9700	dejongh@phokwane.gov.za
Unit Manager: Jan Kempdorp/Ganspan	Andre Lubbe	053 456 0111	lubbe@phokwane.gov.za

IDP PRIORITY ISSUES

The IDP priority issues for the previous and the year under review are as follows;

FINANCIAL YEAR 2008/2009

- Water & sanitation
- Land
- Electricity
- Roads & storm water
- Health services
- Service delivery improvement
- Housing
- Local economic development
- Tourism development & poverty alleviation
- Educational & training facilities
- Sports, recreation, arts & culture
- HIV/AIDS
- Safety & security
- Environmental quality
- Institutional development
- Anti-corruption

FINANCIAL YEAR 2009/2010

- Local economic development
- Land
- Water & sanitation
- Housing
- Health
- Electricity
- Roads
- Education
- Service delivery improvement
- Safety & security
- Sports, arts, culture & recreation
- Anti-corruption
- Disaster
- Environmental quality
- Community participation



OVERVIEW ON JKD, HARTSWATER, PAMPIERSTAD, GANSPAN

Phokwane Local Municipality is made up of four built up areas, i.e Hartswater, Jan Kempdorp, Ganspan and the surrounding areas. This municipality is rural in nature with large scale of agriculture commercialized farming.

The population size is about 61 321 people, with the following gender composition 29 827 males and 32 497 females. The unemployment rate in the area is very high, it is estimated to be 43% while agriculture and government sector are the main employers in the local economy.

The labour force is relatively unskilled and poorly educated, 21% of them have grade 12 or higher education, while 32% have no schooling at all. In total 67% of the population have some form of schooling and can be regarded as literate.

Phokwane Local Municipality is second biggest local municipality in the Frances Baard District Municipality. It is an executive type of a municipality, where the Executive Committee is chaired by the Mayor who is a Member of that committee. In this arrangement the executive powers are vested in the committee.

The head office of the municipality is in Hartswater, where

Council, Committees, and Senior Managers operate from. The Council Chambers and Senior staff offices are.

Since inception in 2000, Phokwane local Municipality has been able to provide the following services to the communities;

- Water
- Electricity
- Sanitation
- Roads
- Storm water
- Cemeteries
- Sports and recreational facilities
- Environmental management
- Libraries
- Solid waste
- Traffic services
- Land use

Some of these services are provided at a higher level and some at an RDP standard. On the other hand some of these services are provided to communities on a daily basis and some as once off service. However, the details on service delivery will be reported under performance highlights.

GOVERNANCE MEETINGS

COUNCIL MEETINGS

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr V Khen	15	11
Clr M Motshabi	15	14
Clr M D Modimogale	15	13
Clr E Adams	15	15
Clr P Nel	15	10
Clr R Gaebee	15	15
Clr H Modiakgotla	15	14
Clr S Paul	15	12

Clr B Modise	15	14
Clr S Lewis	15	12
Clr M Gill	15	10
Clr D Moeketsi	15	13
Clr M Raadt	15	15
Clr S Mooketsi	15	09
Clr D Mashori	15	15
Clr Visser	15	15
Clr S Arends	15	12



EXECUTIVE COMMITTEE MEETINGS

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr V Khen	4	3
Clr M Modimogale	4	4
Clr E Adams	4	3
Clr P Nel	4	4

SUB-COMMITTEE MEETINGS

SOCIAL & COMMUNITY SERVICES

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr E Adams	4	3
Clr P Nel	4	4
Clr M Raadt	4	4
Clr F Pitso	4	3

CORPORATE SERVICES & DEVELOPMENT PLANNING

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr M Modimogale	3	3
Clr S Paul	3	1
Clr M Mothibi	3	1
Clr G Visser	3	3

TECHNICAL SERVICES

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr R Gaebee	2	2
Clr B Modise	2	2
Clr S Arends	2	2
Clr D Moeketsi	2	2

FINANCE SERVICES

COUNCILLOR	MEETINGS FOR THE YEAR	MEETINGS ATTENDED
Clr H Modiakgotla	2	2
Clr D Mashorie	2	2
Clr S Mooketsi	2	1
Clr S Lewis	2	1

REPORT OF THE AUDIT COMMITTEE

In terms of the Municipal Finance Management Act, (Act No 56 of 2003), section 165, municipalities or municipal entities are must have internal audit units. In Frances Baard District Municipality internal audit function is a shared function, run by the district for its local municipalities.

At the beginning Frances Baard District Municipality appointed a service provider to perform this function with the intention of establishing the unit at a later stage. In 2007, the contract of the service provider was terminated, and a new unit started functioning but because of staff turnover it was not fully effective.

The Audit Committee receive reports from the Internal Auditors. After discussing this report they can order and investigation on any matter or can present their report to Council. The main function is to advise Council. During the year under review, the members of the Committee are:

Mr MTA Madija (Chairperson)

Mr AKM Bhyat

Mr TC Marumo

Mr T. Tau (Phokwane representative)



CHAPTER 2

PERFORMANCE HIGHLIGHTS

ELECTRICITY

Objective: Eradicate electricity backlog in the Municipal supply area.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Electricity of Ganspan	R2,6 million	DME	Ganspan	407 Stands

ROADS

Objective: Eradicate roads backlog in the municipal area.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Upgrading of streets and Stormwater.	R3 848 247.24	MIG	Pampierstad	900 Stands
Access Road Masakeng	R1,7 million	Dept of Public Works	Masakeng	Masakeng

STORM WATER

Objective: Eradicate storm water problems in Phokwane municipal area.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Pampierstad Storm water channel (900) houses Phase 2	R3 495 250.00	MIG	Pampierstad	900



WATER

Objective: To provide water at the RDP standard as well as complying with the act.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Construction of Water Reticulation	R200 000.00	MIG	Ganspan	205 Stands
Construction of Water Reticulation	R14 112 528.41	COGHSTA	Pampierstad / Sakhile	1450 Stands / Erf

SANITATION

Objective: To provide sanitation facilities to the community.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Construction of Sewer Reticulation	R2,3 million	FBDM	Jan Kempdorp / Masakeng	840 Stands
Construction of Sewer Reticulation	R14 928 654.83	COGHSTA	Pampierstad / Sakhile	1450 Stands
Upgrading of Jan Kempdorp Waste Water Treatment Plant	R5 million	MIG	Jan Kempdorp	Jan Kempdorp

HOUSING

Objective: To provide the community with sustainable shelter.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
Jan kempdorp (1000)	R5 465 000.00	COGHSTA	Valspan	100

WASTE MANAGEMENT

Objective: To ensure that solid waste is being managed to maintain a clean environment.
The municipality has 4 landfill sites. Those sites are situated in Hartswater, Jan kempdorp, Pampierstad and Ganspan.

PROJECT	VALUE	FUNDING SOURCE	MUNICIPAL AREA THAT BENEFITED	BENEFICIARIES
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NC – Hartswater Landfill Site	R15,2 million (waiting for approval)	DEA	Hartswater	Hartswater
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ENVIRONMENTAL MANAGEMENT

Objective: To ensure sustainable and conducive environment by ensuring effective waste management, properly managed landfills and consistent refuse collection.

ACTIVITIES	AREAS AFFECTED	RESULTS
Regular collection of refuse	- Ganspan - Hartswater - Jan Kempdorp - Pampierstad	90% 100% 100% 95%

TRAFFIC SERVICES

Objective: To provide an effective traffic service which is responsive to community needs.

Hartswater Test Station

SERVICES RENDERED BY TRAFFIC	QUANTITIES
Learner's licence issued	2712
Driver's licence issued	1803
Public drivers Permit issued	953
Card conversion/issued	2982
Speed fines issued	None (Camera not working properly)
Events escorts	25
General fines issued	96

Jan Kempdorp Test Station

SERVICES RENDERED BY TRAFFIC	QUANTITIES
Learner's licence issued	3196
Driver's licence issued	3948
Public drivers permit issued	814
Card conversion/issued	3251
Speed fines issued	None (Camera not working properly)
Events escorts	15
General fines issued	R64 850 (Paid)



LIBRARY SERVICES

Objective: To provide the community with an effective and efficient library service.

Pampierstad library

Registered users	599
Books borrowed	7263
Books returned	7263
Books lost	R0.00
Outreach programmes	19
Internet users	192

Hartswater

Registered users	3002
Books borrowed	3440
Books returned	3435
Books lost	R1097.53
Outreach programmes	14
Internet users	187

Jan Kempdorp

Registered users	4819
Books borrowed	37537
Books returned	37498
Books lost	R743.93
Outreach programmes	22
Internet users	415

**Bonita Park**

Registered users	2676
Books borrowed	12666
Books returned	12655
Books lost	R300.00
Outreach programmes	18
Internet users	259

Ganspan

Registered users	322
Books borrowed	6407
Books returned	6407
Books lost	R0.00
Outreach programmes	18
Internet users	103

LAND USE

Objective: To provide land use opportunities to and to acquire additional land for human settlement including other uses.

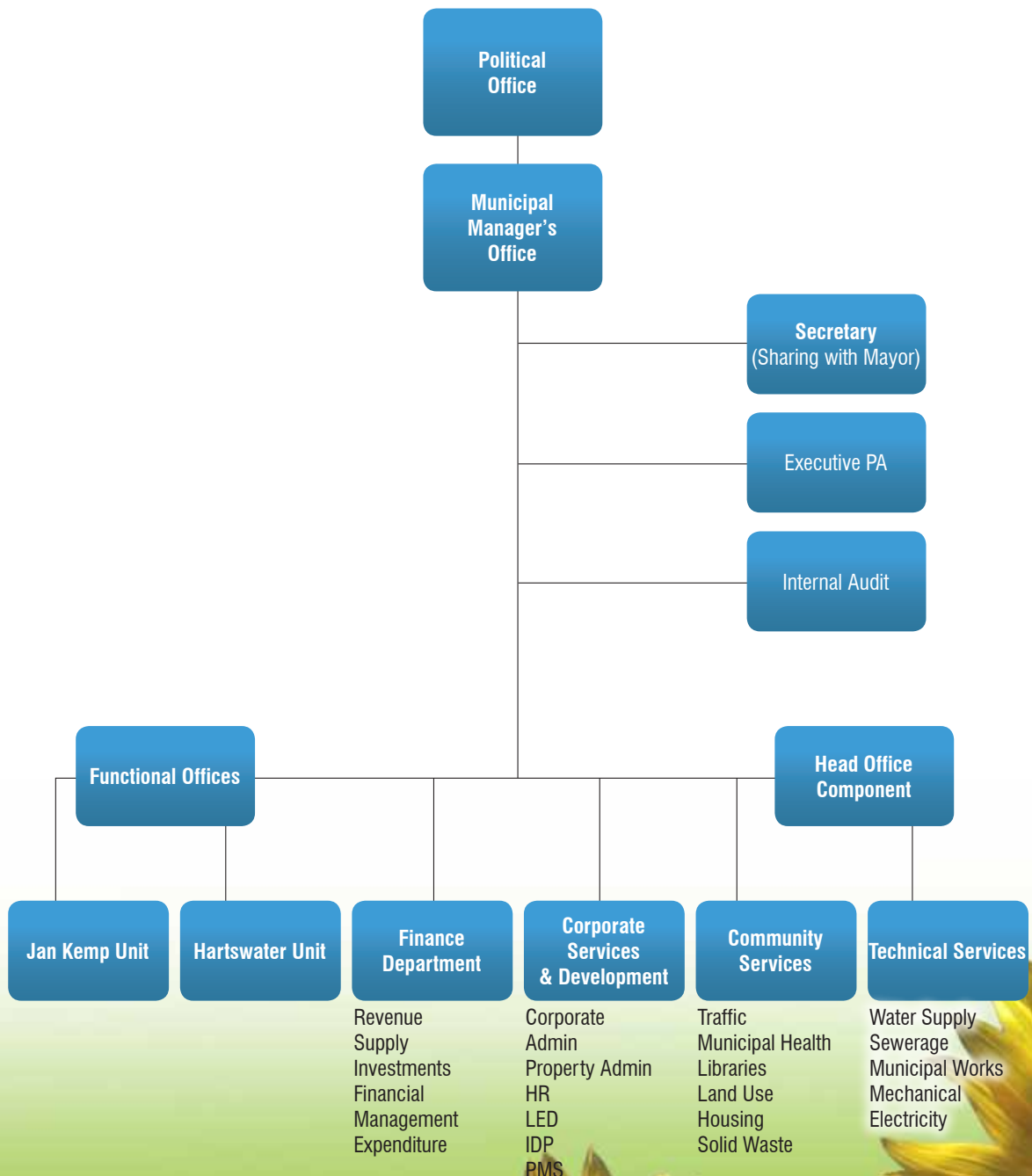
LAND USE APPLICATIONS	RECEIVED	FINALISED
Subdivisions	8	8
Consolidations	0	0
Subdivisions and consolidations	0	0
Divisions	0	0
Removal/amendments of restrictive conditions	0	0
Rezoning	5	5
Township establishment	1	1
Amendment after approval of township	0	0
Closed /withdraw	0	0
Removal of restrictions	1	0



CHAPTER 3

REVISED ORGANIZATIONAL STRUCTURE

PHOKWANE MUNICIPALITY





COMMUNITY CONSULTATIVE MEETINGS ON THE IDP COMPILATION 2009/2010

IDP REPRESENTATIVE FORUM

Background

The municipality has a formal structure known as the IDP Representative Forum in place, this structure is established for the purpose of the review and implementation of the IDP and ensures maximum participation of different interest groups and sectors.

Purpose of the IDP review

The review of the IDP is not aimed at replacing the original document, but has the following purpose:

- To take into consideration changing circumstances and new information.
- Close any gaps that might have been identified during the implementation stage.
- Incorporates views and comments of stakeholders who did not participate in the previous processes.
- Incorporates views and comments of the MEC for local government.
- Address any legal shortcomings as well as the technical aspects.
- To also document community participation in a structured manner.

The objectives of the IDP Representative Forum are as follow:

- Ensure that every activity and decision taken in its meetings are properly communicated to the forum members' respective constituencies.
- Assist in ensuring the proper implementation of the Integrated Development Plan.
- Reflect and safeguard community inputs by acting as the spokesperson for the communities.
- Represents the interests of their communities.
- Provide feedback to community members.

Two (2) IDP Representative Forum Meetings were held.

IDP REPRESENTATIVE FORUM	NUMBER OF STAKEHOLDERS	DATES
1 st IDP Representative Forum	63 Stakeholders	16 September 2009
2 nd IDP Representative Forum	93 Stakeholders	20 January 2010



IDP SECTORAL CONSULTATIVE MEETINGS

IDP Sectoral Consultative Meetings gives more people, in particular, Faith based organizations, Business sectors, Youth organizations, Women organizations, Agricultural sectors, Sports organizations, Cultural organizations, People with Disabilities organizations, etc a chance to participate in the processes of IDP.

The following are IDP Sector Meetings that were held at all Phokwane areas.

IDP SECTOR MEETINGS	NUMBER OF STAKEHOLDERS	DATES
Pampierstad	08 Stakeholders	02 November 2009
Hartswater	0	03 November 2009
Tadcaster	45 Stakeholders	08 November 2009
Motswedithuto	21 Stakeholders	08 November 2009
Jan Kempdorp	34 Stakeholders	19 November 2009
Ganspan	40 Stakeholders	29 November 2009

PRIORITY ISSUES TRENDS

2008/2009	2009/2010	2010/2011
1. Water & Sanitation	1. LED (Local Economic Development)	1. Roads
2. Roads	2. Infrastructure Maintenance	2. Disaster Management
3. Electricity	3. Community Participation	3. Skills Development for the Youth
4. Housing	4. Education	4. Recreational Facilities
5. LED/Tourism	5. Crime Prevention	5. Early Childhood Development Centers
6. Health Services	6. Disaster Management	6. Health Facilities
7. Education	7. Housing	7. Land for Farm Dwellers
8. Land	8. Electricity	8. Water and Sanitation
9. Emergency Services/Disaster Management	9. Roads	9. Institutional Transformation
10. Environmental Services	10. Environment	10. Economic Development and Job Creation
11. Safety & Security	11. Recreational and Sports facilities	11. Community Participation and Communication
12. Institutional Development	12. Institutional Improvement and development	
13. Sports & Recreation		
14. Community Participation		
15. Public Transport		
16. Anti-Corruption		



OVERVIEW OF MAIN ACTIVITIES AND RESPONSIBILITIES

LABOUR RELATIONS

REGISTER OF DISPUTE REPORTS

The Local Labour Forum functioned effectively, with two meetings for the new book / financial year under review. Special Local Labour Forum were 2 and 0 Scheduled meeting. This contributed to stable employee/ employer relations in the workplace.

There were also disputes which were referred to the bargaining council. The following table shows referrals and the outcomes at the bargaining council for the year under review.

NR.	NAME OF COMPLAINANT	SECTION	SHORT DESCRIPTION OF DISPUTE	REFERENCE NR/ FILE REF	OUTCOME	DATE FINALISE
1	Mahumapelo M	Finance	Alleged unfair Labour Practice	NCD100811	Dismissal	Matter referred to Bargaining Council (Pending)
2	Bonokwane B	Traffic Dept	Unfair Labour Practice	NCD 031013	Dismissal	Referred Matter to Bargaining Council (Pending)
3	Mentz N	Traffic Dept.	Alleged Unfair Labour Practice	NCD021005	Withdraw Resolved	25/03/2010
4	Dabula O & Other	Contract -Technical	Alleged Unfair Labour Practice	NCD070907	Contract Terminated	Referred Matter to Bargaining Council (Pending)
5	Ndwanya G	Corporate Services	Alleged Unfair Labour Practice	NCD090809	Dismissal	Referred to Bargaining Council (Pending /in process)
6	Molefe JS	Corporate Services	Interpretation/ Application of Collective Agreement	NCD110906	In Process	Pending
7	Madlala V	Contract Worker in the Office of the Mayor	Alleged Unfair Dismissal	NCD040907	Contract Terminated	Referred to Bargaining Council (Pending)
8	Liwela CS	Contract-Technical	Unfair Dismissal/ Reason unknown	NCD070908	Contract Terminated	Referred to Bargaining Council (Pending)
9	SAMWU Members	Union members Collective	Interpretation & Application of Collective Agreement	NCD061002	Arbitration	Referred to Bargaining Council (Pending)



RETIRED, ILL HEALTH, RESIGNED, DEATH AND DISMISSAL EMPLOYEES (2009/2010)

NO OF EMPLOYEES	NAME	DATE	SECTION
RETIRED (1)	Steyn Y.S	2010.04.31	Finance Dept.
ILL HEALTH	NONE		
RESIGNED (4)	Matokonyane	2009.09.18	Technical Dept.
	Setlhoho G.G	2009.10.01	Technical Dept.
	De Jongh W.	2009.12.31	Unit Manager
	Kibale K.	2010.01.31	Corporate Services
Contract Workers (3)	Pampiri L.	2010.04.30	Finance Dept.
	Van Rooyen CBJ	2010.04.30	Traffic Dept.
	Joubert	2010.04.30	Traffic Dept.
DECEASED (6)	Lindixiwa L.Z	2009.08.26	Technical Dept.
	Samane O.P	2010.02.31	Technical Dept.
	Selome M.J	2010.06.16	Technical Dept.
	Tsimanyane M.J	2010.06.14	Technical Dept.
	Jacobs A.	2010.04.05	Technical Dept.
	Molai PD.	2010.03.09	Technical Dept.
DISMISSAL (2)	Mahumapelo M.M	2009.07.10	Finance Dept.
	Bonokwane B.	2010.03.02	Traffic Dept.

EMPLOYEE PENSION AND PROVIDENT FUNDS

The composition of membership per pension fund or provident fund was as follows;

FUND	NUMBER OF MEMBERS
SALA provident fund	11
SALA pension fund	60
SAMWU provident fund	286
Cape Joint Retirement	15
Cape Joint Pension fund	9
Municipal Employee Pension Fund	22
GEPP	10



MEDICAL AID FUNDS

Membership of medical aid funds were as follow;

MEDICAL AID FUNDS	NUMBER OF MEMBERS
Bonitas	37
LA Health	5
SAMWUMED	7
Medshield	1
Hosmed	24
Key Health	5

PERSONNEL EXPENDITURE TRENDS

The following table reflects total trends for the past six years;

Financial year	Amount	% of Budget	Budget totals
2004/2005	R 18 965 307	36%	R 52 761 979
2005/2006	R 20 650 724	37%	R 55 780 582
2006/2007	R 24 866 270	35%	R 72 112 000
2007/2008	R 26 225 652	31%	R 76 759 578
2008/2009	R25 756 488	27%	R96 123 217
2009 / 2010	R 29 353 821	28%	R 103 793 955

DISCLOSURE OF SENIOR STAFF BENEFITS

Municipal Manager

Basic salary	R 368 737
13 th Cheque	R 30 728
Transport allowance	R 144 081
Pension contributions	R 66 630
Medical aid	R 11 316
Housing subsidy	R 15 576
Cell phone	R 8 103
UIF	R 1 497
Bargaining council levy	R 45
Total	R 646 713

**Acting Finance Manager**

Basic salary	R 196 680
13 th Cheque	R 16 390
Transport allowance	R 101 397
Pension contributions	R 40 870
Medical aid	R 15 323.80
Housing Allowance	R 9 535
Cell phone	R 3 600
UIF	R 1 497
Bargaining council levy	R 45
Group scheme insurance	R 8 860.61
Acting allowance	R 96 570
Total	R 490 679

Technical Services Manager

Basic salary	R 292 361
13 th Cheque	R 24 363
Transport allowance	R 143 754
Pension contributions	R 52 829
Medical aid	R 20 923
Cell phone	R 4 861
UIF	R 1 497
Bargaining council levy	R 45
Total	R540 633

Community Services Manager (Resignation Date – 31 December 2009)

Basic salary	R 146 180
13 th Cheque	R 12 366
Transport allowance	R 71 877
Pension contributions	R 26 312
Medical aid	R 11 940
Group Scheme Insurance	R 3 247
Cell phone	R 1 980
UIF	R 748
Leave Pay	R 31 575
Bargaining council levy	R 23
Total	R 306 250.00

**Corporate Services and Development Planning Manager**

Basic salary	R292 361
13 th Cheque	R24 363
Transport allowance	R143 755
Pension contributions	R52 830
Medical aid	R17 973
Cell phone	R4 861
UIF	R1 497
Bargaining council levy	R45
Total	R537 685.00

DISCLOSURE OF COUNCILLORS BENEFITS

The disclosures of Councillors benefits as per the 2009/2010;

NAME	SALARY	TRAVEL ALLOWANCE	CELL PHONE ALLOWANCE	PENSION CONTRIBUTION	MEDICAL AID	TOTAL
Clr V D Khen	R 375 898	R 147 006	R 17 100	R 54 294	-	R 594 298
Clr M D Modimogale (Exco)	R 154 110	R 60 639	R 10 668	R 22 396	-	R 247 813
Clr B G Modise	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr P J Nel (Exco)	R 154 110	R 60 639	R 10 668	R 22 396	-	R 247 813
Clr E L Adams (Exc)	R 154 110	R 60 639	R 10 668	R 22 396	-	R 247 813
Clr S Arends	R 93 917	R 41 625	R 10 668	R 14 088	R 16 807	R 177 105
Clr S S Paul	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr R R Gaebee	R 106 084	R 41 625	R 10 668	R 15 913	R 4 840	R 179 130
Clr F O Pitso	R 114 059	R 42 656	R 10 668	R 18 664	-	R 186 047
Clr S Lewis	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr D Moeketsi	R 104 766	R 41 625	R 10 668	R 15 349	R 4 395	R 176 803
Clr M S Mooketsi	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr H Modiakgotla	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr O M Mothibi (Deceased)	R 27 938	R 11 190	R 2 868	R 3 618	R 1 440	R 47 054
Clr M S Motshabi (speaker)	R 268 101	R117 604	R 17 100	R 41 181	R 16 988	R 460 974
Clr S M Raadt	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr K D Mashori	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr G J Visser	R 112 078	R 44 098	R 10 668	R 16 288	-	R 183 132
Clr M Gill	R 61 008	R 23 386	R 5 994	R 9 479	-	R 99 867
COUNCILLOR'S TOTAL	R2 134 827	R 854 412	R 185 982	R 315 784	R 44 470	R3 535 475

TOTAL: R4 129 773.00



HUMAN RESOURCE POLICIES

OLD POLICIES	REVIEWED POLICIES	NEW POLICIES
Recruitment and selection	Recruitment and selection	Whistle Blowing
Induction	Employee study aid	Nepotism
Conditions of employment	Occupational health and safety	Chronic illness
Leave	Induction	Substance abuse
Code of conduct	Sexual harassment	Internet and e-mail
Disciplinary procedures	Training and Development	Uniform and protective clothing
Grievance procedures	Performance management	Smoking
Study leave	Employment equity	Media Statements by staff
Sexual harassment	Conditions of employment	Telecommunication
Employee assistance programme	Internship programme	Confidentially
Training and development		Private Work or Business
Occupational health and safety		Attendance and Punctuality
Internship programme		Use of official vehicle
Employment equity		Legal aid policy
Performance management		Housing allowance
		Unpaid leave
		Travel and removal expenses

EMPLOYMENT EQUITY

Occupational Categories	Male			Female			White Male	Foreign Nationals		TOTAL
	A	C	W	A	C	W		Male	Female	
Legislators, Senior Officials & Managers	8			4	4		2			18
	6			1		2	3			12
	5									5
Technicians & associate professionals	4			1		1	3			9
	1			5			3			9
Clerks	14	6		15	5	5				45
Service and sales workers	1	0		1		3	5			10
Plant and machine operators and assembles	20	6								26
Elementary occupations	96	14		10	3					125
GRAND TOTAL	155	26		35	12	15	16			259



TRAININGS RECEIVED FROM 01 JULY 2009 – 30 JUNE 2010

PURPOSE

Training is very important to capacitate the employees so that they have to perform their duty to the best of their abilities to serve the community. The following employees trained from July 2009 – June 2010.

KPI	INFORMATION TO ENTER	NR/QTY/VALUE	RAND SPEND	MONTH
Training	Nr. Of employees & Councillors trained according to Skills Development Plan.			
	1 employee- water & wastewater training & 2 councillors; (4) Employees on AARTO Training – (2) RED FOUR Regional engagement Workshop	10	R25 535.62	July 2009
	2 employees- CPMD- Financial Training	2	R22 614.90	August 2009
	(4) employee – Written Communication Training;/(7) Supervisors Training	12	R28 344.40	September 2009
	8Councillors – Induction of Councillors /1 employee PPP Guidelines.	9	R13 947.00	October 2009
	2 Councillors- Public Management Training/ 4 councillors- Gender Based Violence Workshop;/ 1 employee- Gender Based Violence Workshop;/ 1 LED training;/ 1 employee- Social Cohension/ Xenophobia W	9	R17 572.68	November 2009
	2 Councillors- Public Management Training	2	R6 216.24	December 2009
	3 employees (1)Bluedrop workshop/2 employees	3	R5 245.00	January 2010
	4 Employees – ELMDP;/ 1 employee – Bluedrop Workshop;/ (2) employees on MPRA (1) employee on Land use & G.I.S Workshop (1)employee on War on poverty strategic workshop(1) employee on Sweden Training(1) Councillor-Sweden Training	10	R6 059.30	February 2010
	War on Poverty Strategic Workshop(1) employee & 5 Councillors (1) employee-ELMDP (2) EMPLOYEES-MPLA	9	R17 568.80	March 2010
	GAMAP/GRAP Employee (3)	3	R3 921.00	April 2010



Revenue/Expenditure-Employee(5) Water Conservation Water Demand Management Workshop(1)employee; Library Budget Workshop (2) employees	8	R1 937.00	May 2010
(2)Councillor:- Public Management (1) employee LED Training	3	R10 133.97	June 2010
GRAND TOTAL	61	R 159 095.91	

OCCUPATIONAL HEALTH AND SAFETY

ACTIVITY	2007/2008	2008/2009	2009/2010
Evaluation of medically incapacitated employees	1	2 Molai & H. Legabe	2 D.E. Faber MZS Malan
General medical services provided	7	2 Visits (18 employed)	0
Specialised and general health and safety training to employees	1	6	0
Legal complaint audit	1	3	0
Inspections of workplaces	1	3	2

PERFORMANCE MANAGEMENT

In terms of the performance regulations all municipalities are expected to have a performance management system to monitor and to evaluate its performance. Phokwane Municipality adopted a framework policy for performance management. The performance management system seeks to link the intentions of the municipality with activities that needs to be carried out by individuals who are provided with resources to achieve the set objectives. It is expected that this system will improve service delivery.

There was a problem of fully implementing the performance management system because some section 57 managers had no employment contract and one post was vacant. On those grounds, it was difficult to have a full performance management implemented in this institution. However it must be noted that the following were all in place;

- Performance agreements of managers
- SDBIP's attached to this agreements were also available

Therefore, PMS in this municipality still have gaps and shortfalls. It is the intention of the municipality to improve this in the next financial year.



Chapter 4

AUDIT REPORT



Phokwane

LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2010





PHOKWANE Local Municipality Annual Report 2009/10



PHOKWANE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

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GENERAL INFORMATION

NATURE OF BUSINESS

Phokwane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Phokwane Municipality includes the following areas:

Hartswater
Pampierstad
Jan Kempdorp

MEMBERS OF THE EXECUTIVE COMMITTEE

V Khen (Chairperson)
E Adams
D Modimogale
P Nel

MUNICIPAL MANAGER

MP Dichaba

CHIEF FINANCIAL OFFICER

Acting CFO - H Basson

REGISTERED OFFICE

Hertzog Street 24
Hartswater
8570

AUDITORS

Auditor-General
P O Box 5103
Kimberley

PRINCIPLE BANKERS

ABSA

ATTORNEYS

On assignment appointments



RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

MEMBERS OF THE PHOKWANE MUNICIPALITY

WARD COUNCILLOR

1	SM Motshabe	Proportional	V Khen
2	M Modimogale	Proportional	DM Moeketsi
3	FO Pitso	Proportional	S Arends
4	SS Paul	Proportional	RR Gaebee
5	MM Gill	Proportional	SM Raadt
6	KD Mashorie	Proportional	PJ Nel
7	HM Modiakgotla	Proportional	GJ Visser
8	EL Adams	Proportional	S Lewis
9	S Mooketsi	Proportional	BG Modise

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 48 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



MP Dichaba
Municipal Manager

**FINANCIAL PERFORMANCE REVIEW**

CHIEF FINANCIAL OFFICER'S REPORT

INTRODUCTION

In terms of Section 122 of the Municipal Management Act no.56 of 2003, the financial statement for the period ending 30 June 2010 is hereby presented.

The financial statements are prepared in accordance with Generally Recognised Accounting Practices as prescribed in terms of Section 9 (1) (1) (b) of the Public Finance Management Act.

The main objective of the Finance Department is to ensure that Phokwane Municipality is financially sustainable to fulfil its developmental role.

In order to achieve this Council follows a practice of sound, prudent budget and financial management aimed at enhancing resources through maximising revenue collection and controlling cost to a minimum. Council also applies external sources of financing to advance its infrastructure capital programmes, including the use of the state grants and subsidies.

The Integrated Development Plan (IDP) is the corner stone of facilitating sustainable growth and development. Given the nature of Integrated Development, it was necessary to continuously revise and update financial strategies throughout the financial year.

FINANCIAL RESULTS FOR FINANCIAL YEAR 2009/2010

Though Phokwane Municipality managed to meet its financial obligations, accounts receivables constantly kept on increasing. The increase allocation in the Equitable Shares portion contributed significantly towards the municipality's abilities to meet its financial obligations and actually prohibit the municipality from encountering serious cash flow problems altogether. One of the contributing factors towards the escalating debtors figure is the high level of unemployment and poverty. A socio-economic survey done in 2008/2009 recorded poverty levels at 70% in areas such as Valspan, Ganspan and Andalusia Park, which is raising a serious concern about the true levels of indigency in the municipal area.

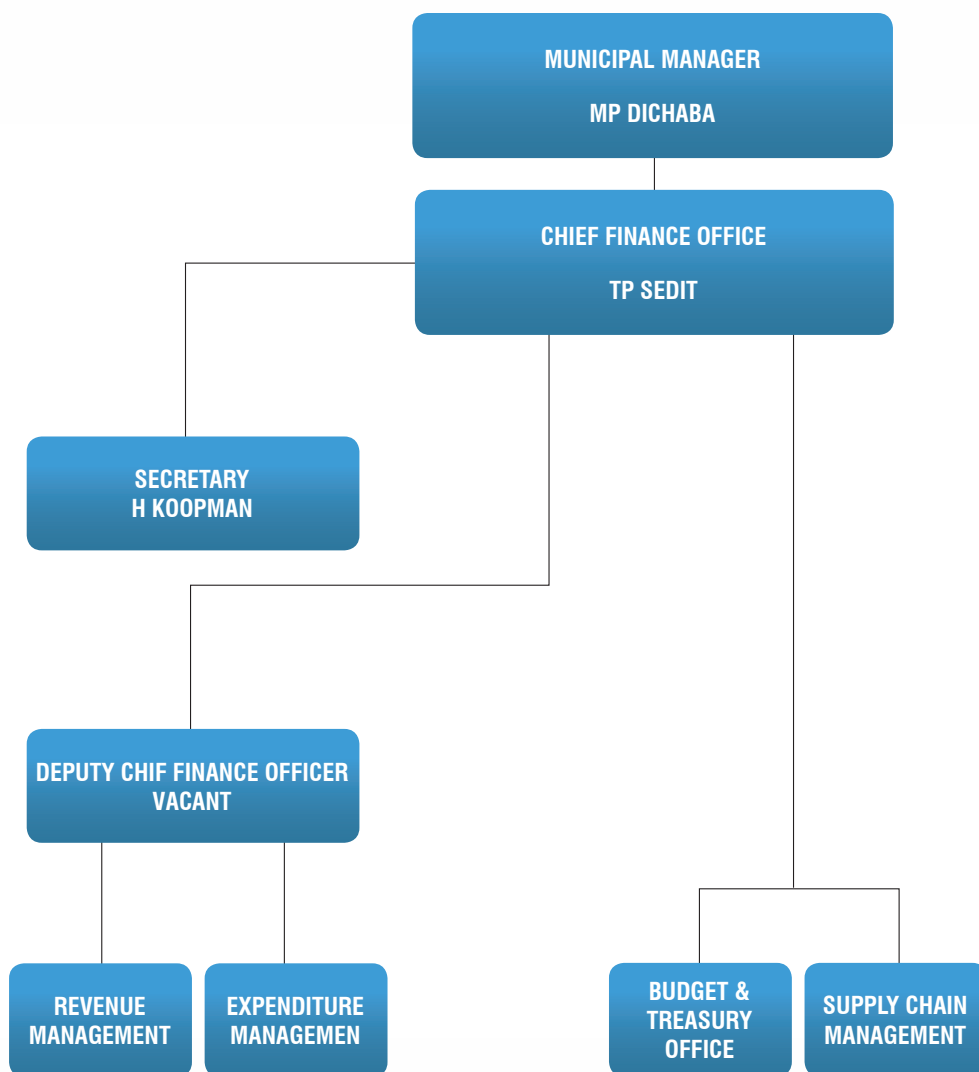
There is also an indication from this survey that a large percentage of consumers are earning just above the threshold of R1 660.00 per month which classifies them as almost indigent.





FINANCIAL PERFORMANCE REVIEW

**FINANCE DEPARTMENT & BUDGET TREASURY OFFICE
ORGANISATIONAL STRUCTURE**





FINANCIAL PERFORMANCE REVIEW

ASSESSMENT OF PERFORMANCE

REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE 2009/2010 FINANCIAL YEAR

Overview

The financial department is responsible for the financial administration, financial control and financial reporting of the local authority as a whole.

The services provided by the Finance / Budget and Treasury Department are as follows:

Budget and Treasury Office

- Management Accounting
- Cost Accounting
- Budget Preparation & MFMA Compliance & Reporting
- Budget Implementation & In-Year-Monitoring
- Investments and Grant Revenue Control

Supply Chain Management

- Policy Implementation, Reporting & Demand Management
- Acquisition Management
- Asset & Disposal Management

Revenue Management

- Indigent Management
- Credit Control and Debt Collection Services
- Property rates & Valuation Services
- Billings & Customer Care Services

Expenditure Management

- Creditors and Salaries Management
- General Ledger Management
- Financial Accounting Services & Year-end Reporting

Key Issues for 2009/2010

- Completion of staff structure together with related job descriptions.
- Filling of vacant positions with appropriately qualified staff.
- Additional office space to be identified.
- Training and capacitating existing staff with regard to changing environment.



FINANCIAL PERFORMANCE REVIEW

- Review of all financial policies.
- To become fully compliant with Supply Chain Management Legislative requirements.
- Updating of GRAP compliant fixed asset register.
- Implementation of Valuation Roll to be compiled in terms of the Property Rates Act on 1 July 2010.
- To implement third party pre-paid electricity vending.
- Establishment of Budget & Treasury office as per the prescripts of MFMA.
- Enforcement of Municipal Credit Control and Debt Collection Policies; Low payment percentage and education customers with the regard to benefits of paying for services.
- Improve customer satisfaction.
- To identify non-indigent account holders registered as indigent and included in the indigent register; and
- Conversion from SABAT to E-venus financial management system.

Review of operating results

The overall operating results for the year ending 30 June 2010 as well as the comparison with the budgeted figures and the actual results of 2008/2009 are reflected in the following table:

Description		Budget 2010	Adjusted Budget 2010	Actual 2010	Variance Actual as % of Adjusted Budget	Actual 2009
INCOME						
Operating Income		118,820	103,794	149,710	44.24%	117,937
EXPENDITURE						
Operating Expenditure		11,416	103,794	104,523	0.70%	102,614
Closing Surplus (Deficit)		7,404	-	45,187	45,187	15,323

Details of the operating results per department and classification of income and expenditure is included in Appendix D and E in the Audited Annual Financial Statements.

The operating surplus is mainly attributed to the following:

The revenue anticipated for the current financial year under review were estimated at R118 820 million. This figure was adjusted downwards with the adjustment budget process to R103 794 million or 12.65%. This, despite the fact that the municipality were projecting or were likely to collect more than the initially anticipated revenue it has budgeted for in the beginning of the year. The total operating revenue recorded for the financial year under review amounts to R149 710 million of 44% of the total adjusted revenue budget of R103 794 million.

Overall, the revenue collection of R149 710 exceeds the total operating expenses of R104 523 million with 69.82% or R45 187 thousand.



FINANCIAL PERFORMANCE REVIEW

An overall collection in Grants and Subsidies receipts anticipated for the financial year 209/10. Provision was made for an estimated revenue amount of R44 600 million in terms of Council's approved budget for 2009/10, however actual receipts for the year under review shows a significant increase in the Grant Subsidies Revenue of 65.15% or R29 096 million, bringing the total grants and subsidies received for the financial year 2009/10 to R73 756 million. The increase in anticipated collection in the above could further be attributed to a misstatements or misinterpretation of grant allocation schedules as published in accordance the Annual Division of Revenue Act and Provincial Gazette on Local Government Allocation for 2009/10.

Services charges anticipated to be collected was initially estimated at R44 389 million but the actual results for the current financial year under review illustrates that revenue derived from services charges amounted to R57 514 million and has exceeded the estimated service charges revenue with 29.57% or R13 125 million for the period that ended 30 June 2010. The increase in electricity tariffs approved by NERSA in the beginning of the current financial year under review can also be seen as a further attributing factor for the increase.

Over collection in Rental Facilities and Equipment can also be seen as contributing towards surplus recorded for the year. The anticipated revenue to be collected amounted to R90 thousand, but actual result for the year that has ended 30 June 2010 shows revenue derived from Rental of Facilities and Equipment to be amounting to R221 thousand thus constituting 145% or R131 thousand over collection.

Contrary to the significant over collection in sources of revenue are the savings recorded on operating expenditure in the financial year that ended on 30 June 2010 that significantly further contributed to the surplus at the end of the year. Provision was made for the new wage curve as per SALGBC: Salary and wages collective agreement but was not implemented in the financial year under review due to the matter still being unresolved.

Provision was made for establishing an internal audit unit and setting up the audit committee. The internal auditor was appointed in January 2010 whilst the appointment of the audit committee is still not finalised. This resulting in a savings on employee related costs under Council and Executive and Municipal Manager vote of up to 25.01% and 34.85% respectively.

OPERATING EXPENDITURE 2009/2010

The following table reflects a breakdown of the expenditure per grouping for 2009/2010 against the budget for that year as well as the actual figures of the previous year for comparison purposes.

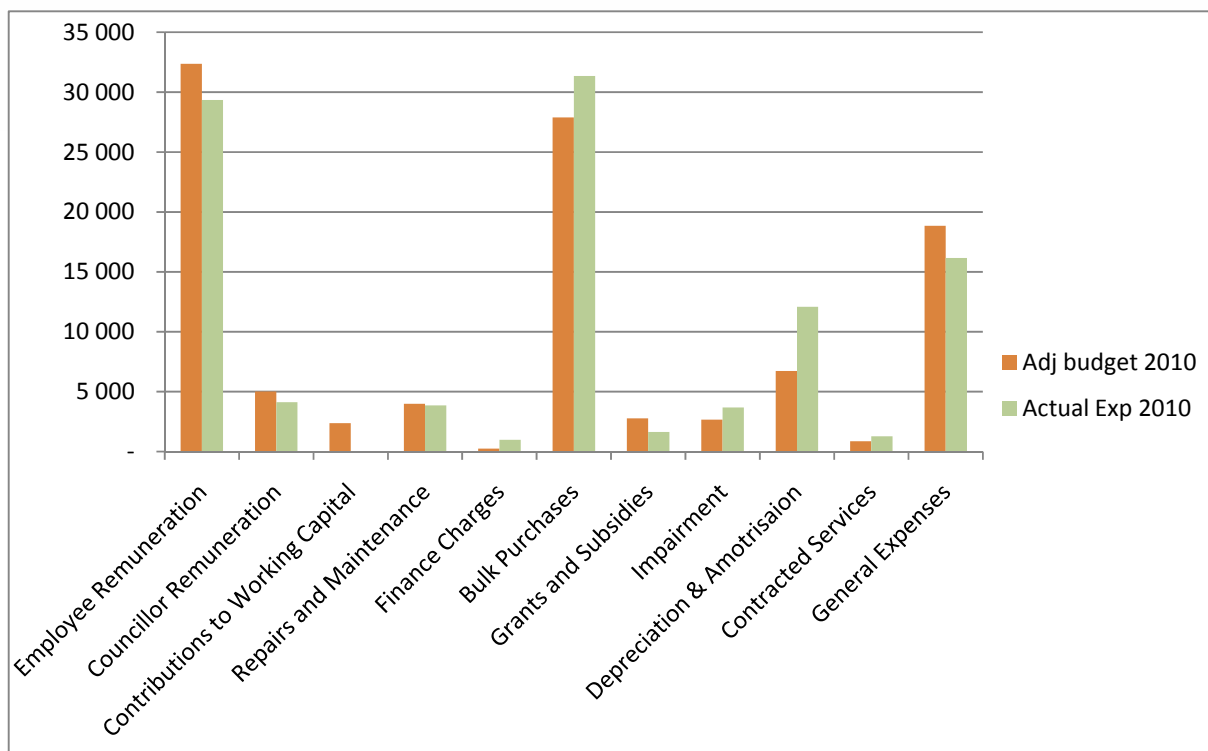
EXPENDITURE	Approved Budget 2010	Adjusted Budget 2010	Expenditure Actual 2010	Variance Actual as % as Adjusted Budget	Expenditure Actual 2009
Employee Remuneration	36,173	32,357	29,354	-9.28%	25,757
Councillor Remuneration	5,021	5,022	4,119	-17.98%	3,705
Contribution to Working Capital	5,368	2,386	-	-100.00%	
Repairs and Maintenance	3,921	3,997	3,865	-3.30%	1,164
Finance Charges	254	254	988	288.98%	402
Bulk Purchases	24,194	27,900	31,355	12.38%	19,305
Grants and Subsidies	-	2,768	1,639	0.00%	2,791
Impairment	10,153	2,665	3,674	37.86%	18,354
Depreciation & Amortisation	6,738	6738	12,089	79.42%	2,866
Contacted Services	4,506	866	1,275	47.23%	853



FINANCIAL PERFORMANCE REVIEW

General Expenses	27,269	18,841	16,165	-14.20%	20,926
Net Expenditure	123,597	103,794	104,523	0.70%	96,123

CHART: COMPARISON 2009/2010 BUDGET VS ACTUAL OPERATING EXPENDITURE



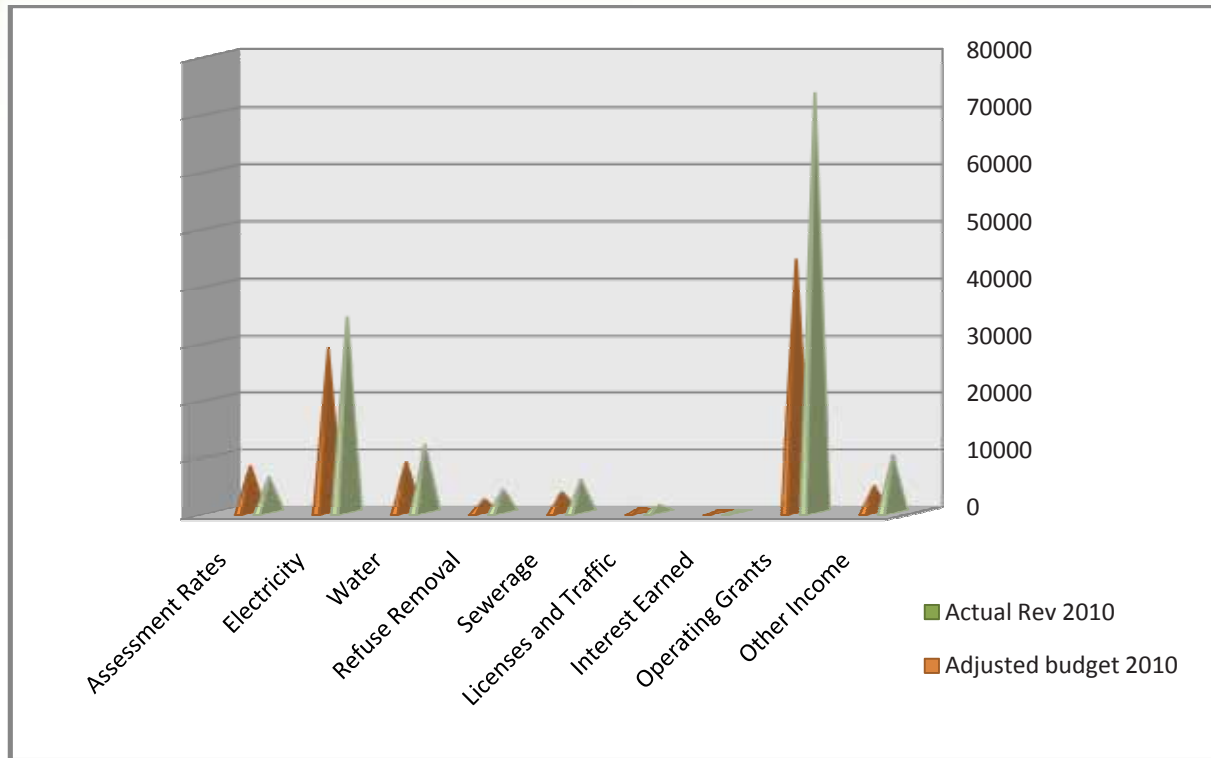
OPERATING INCOME 2009/2010

Income per category is as follows:

INCOME	Budget 2010	Adjusted Budget 2010	Actual 2010	Variance Actual as % as Adjusted Budget	Actual 2009
Assessment Rates	8,363	8,354	6,447	-22.83%	5,409
Electricity	31,458	29,078	34,506	18.67%	25,376
Water	12,146	8,957	12,169	35.86%	9,689
Refuse Removal	4,161	2,504	4,338	73.24%	3,299
Sewerage	6,386	3,850	6,010	56.10%	5,516
Licences and Traffic	970	965	1,612	67.05%	1,923
Interest Earned	500	500	548	9.60%	1,307
Operating Grants	44,869	44,660	73,757	65.15%	58,386
Other Income	14,746	4,925	10,323	109.60%	7,030
Total Income	123,599	103,793	149,710	44.24%	117,935

FINANCIAL PERFORMANCE REVIEW

CHART: COMPARISON 2009/2010 BUDGET VS ACTUAL OPERATING INCOME



ASSESSMENT RATES

Revenue derived from the implementation of the property rates act amounted to R6 449 million, thus representing a 22.83% or R1 904 million under collection in anticipated revenue to be collected for 2009/2010. The under collection is as a result of an understatement in indigents as per municipal indigent register.

WATER

The municipality performed generally well in generating revenue from water services. Revenue originally budgeted to be generated from the provisioning of water amounted to R8 957 million. However, the financial performance over the twelve months indicates a R3 212 million of 35.86% over collection in revenue derived from water services.

This increase could also be a result of unrealistic measurable performance targets set leading to an understanding of the revenue, anticipated to be collected for 2009/2010. The over collection can further be attributed to high demand in water by consumers than what has initially been anticipated for 2009/2010.

REFUSE REMOVAL

Phokwane Municipality succeeded to collect 73.24% more than its anticipated revenue of R2 504 million set to be derived from refusal removal in the 2009/2010 financial year. The reason for the over collection in refuse removal services is mainly as a result of the increasing number of households over past financial year.

**FINANCIAL PERFORMANCE REVIEW****LICENSES AND TRAFFIC**

Revenue to be derived from licenses and traffic services has been significantly be under estimated in the beginning of the financial year to such an extent that actual revenue raised from licenses R1 612 million exceeded the estimated revenue to be collected of R965 thousand with R647 thousand or 67.05%.

GOVERNMENT GRANTS & SUBSIDIES RECEIVED

It is further evident from the financial performance review that the municipality benefitted significantly from government grants and subsidies receipts and this contributed to large extend to the R45.2 million operating surplus recorded at the end of the financial year. Government grants and subsidies receipts budgeted for 2009/2010 amounted to R44.6 million and actual receipts amounted to R73.7 million. Thus, representing R29 097 million or 65.15% increase in the anticipated revenue to be collected.

DEBTORS

Total accounts receivables as at 30 June 2010 amounted to R131 759 million. A detailed breakdown of the latter is disclosed under Note 17 of the Audited Annual Financial Statements for the year under review.

Accounts receivables is seen to have increased with 112% from R62 118 million as at 30 June 2009 to R131 759 million as at the 30 June 2010. This increase is largely attributed to relaxation towards the implementation and enforcement of Council's approved debt collection and credit control policies including existing by-laws. Phokwane Municipality accounting policy provides for accounts older than 90 days to be impaired. Provision for debt impairment increase from R59 938 million as at 30 June 2009 to R63 612 million as at 30 June 2010. The increase recorded represents a 6.13% or R3 674 million increase in the provision debt impairment over the past 12 months.

The status of consumer and other debtors on 30 June 2008 and 30 June 2009 are reflected below:

CONSUMER DEBTORS**As at 30 June 2010**

Electricity	5,052,814
Water	22,253,326
Sewerage	22,835,573
Refuse	14,222,831
Rates	
Housing Rentals	
Other Consumers Arrears	
Other Recoverable Areas	

Total Consumer Debtors	143,151,033
Less Provision for Bad Debt	63,612,130
Net Consumer Debtors	79,538,903

As at 30 June 2009

Electricity	3,843,199
Water	17,073,638
Sewerage	17,661,482
Refuse	10,732,596
Rates	
Housing Rentals	
Other Consumers Arrears	
Other Recoverable Areas	

Total Consumer Debtors	71,219,261
Less Provision for Bad Debt	59,938,025
Net Consumer Debtors	11,281,236



FINANCIAL PERFORMANCE REVIEW

THE AGEING OF DEBTORS IS THE FOLLOWING:

Debtors by Income Source: 30 June 2009

DESCRIPTION	0 – 30 DAYS	31 – 60 DAYS	61 – 90 DAYS	90 – DAYS PLUS	TOTAL OUTSTANDING
Electricity	2,164,662	619,208	199,024	2,069,920	5,052,814
Water	2,653,116	1,241,737	640,977	17,987,496	22,523,326
Sewerage	4,183,471	567,797	538,144	17,546,161	22,835,573
Refuse	2,391,703	361,466	340,854	11,128,808	14,222,831
Property Rates	390,855	185,651	142,555	9,427,932	10,147,023
Other	41,237,717	3,196,307	74,433	23,861,009	68,369,466
Total	53,021,554	6,172,166	1,935,987	82,021,326	143,151,033

Debtor Collection Rates for 2009/2010 Financial Year:

DESCRIPTION	BILLING 2009/2010	ACTUAL REVENUE 2008/2009	COLLECTION RATE 2008/2009
Sewerage	5,918,374	1,256,122	21.22%
Refuse	3,681,254	604,847	16.43%
Water	9,962,314	4,407,633	44.24%
Electricity	13,614,905	12,330,316	90.56%
Property Rates	3,424,289	2,519,449	73.58%
Sundry	1,326,232	70,748	5.33%
Total	37,927,368	21,189,115	55.87%

The total collection rate (excluding indigent support) was 55.87% for the 2009/2010 financial year compared to 49.95% for 2007/2008. This improvement is not adequate and the municipality must improve the implementation of its debt collection and credit control policies. Without at least a 10% improvement, the municipality will be facing serious cash flow problems and will become more and more dependent on Grand Funding as its main source of income. Currently the municipality is 100% dependent on Grant Funding for Capital Projects and the Repairs and Maintenance Budget is also not sufficient to ensure proper maintenance and replacement of assets.

Municipal External Debt

At the end of the financial year, the amounts borrowed and outstanding were as follows:

TYPE OF LOAN	BALANCE AT 30 JUNE 2008	RECEIVED	REDEEMED	INTEREST	BALANCE AT 30 JUNE 2009
ABSA Sink in Fund Loan	1,000,000	-	-	-	1,000,000
DBSA Loan	2,251,119	-	1,043,848	-	1,207,271
Operating Leases	841,503	-	212,959	-	628,544
Total Loans	4,092,622	-	1,256,807	-	2,835,815



FINANCIAL PERFORMANCE REVIEW

The ABSA sinking loan was taking-up to acquire municipal building no37 Hertzog Street. The loan will be settled with proceeds derived from the sale of land & building in DF Malan Street. The transaction is expected to be concluded in the 2010/11 financial year and the loan subsequently be settled.

The DBSA loan sourced to deliver on capital programmes for water, waste water & electricity infrastructure and the loan agreement is expected to end in 2010/11 financial year.

Capitalised leases liability consist of municipality photocopies and fax machines acquired through long term leases contracts which were still enforced at the reporting date.

The full details of the individual loans are reflected in Appendix B in the Audited Annual Financial Statements.

CAPITAL EXPENDITURE AND FINANCING

The additional during the year in respect of fixed assets amounted to R26 605 million. It is 29.36% more than the addition of R20 566 million in the 2008/2009 financial year.

The variance between the actual result and the adjusted budget is not within acceptable norms. When the actual result is compared with the adjusted budget, the variance is 26.56%. A comparison between the previous financial year 2008/2009 (R20 566 million) and the current financial year 2009/10 (R26 605 million) illustrate a 29.36% or R6 039 million increase in capital expenditure. Capital programmes in terms of the approved budget for 2009/10 was rigorously adhered to, certain expenditure incurred in this financial year was not appropriate in terms of the municipal budget for 2009/10 and therefore may constitute unauthorised expenditure. This further highlights the deficiencies that exist in the planning and co-ordinating processes. It is imperative that departments (both internally / externally) participate in the IDP processes and begin recognising the SDBIP as instrument to enhance planning, co-ordinating, and implementation of service delivery programme.

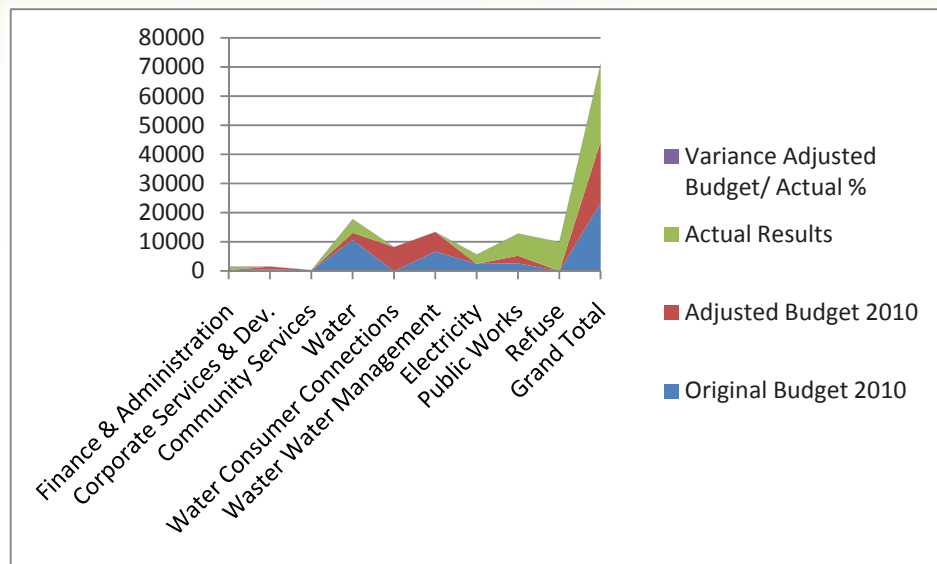
The following table shows the distribution of the additions to fixed assets according to the various departments:

DEPARTMENT	ORIGINAL BUDGET 2010	ADJUSTED BUDGET 2010	ACTUAL RESULT 2010	VARIANCE ADJUSTED BUDGET / ACTUAL %
Finance and Administration	290	-	1,224	0.00%
Corporate Services and Development	500	1,040	-	-100.00%
Community Services	250	-	38	0.00%
Water	10,660	2,460	4,679	90.20%
Water Consumer Connections	-	8,200	-	-100.00%
Waste Water Management	6,700	6,700	-	100.00%
Electricity	2,443	-	3,187	0.00%
Public Works	2,621	2,621	7,569	188.78%
Refuse	-	-	9,908	0.00%
Grand Total	23,464	21,021	26,605	36.56%



FINANCIAL PERFORMANCE REVIEW

CHART: 2008/2009 CAPITAL EXPENDITURE PER DEPARTMENT



Further information on capital expenditure is outlined in Appendix C of the Financial Statements. Details regarding the variances on individual projects will be reflected in the Service Delivery Report.

EQUITABLE SHARES

The equitable share allocation to the local sphere of government takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities. It consists of the following two components.

The characteristics of the basic services component are:

- Supporting only poor households earning less than R1.100 per month.
- Distinguish between poor households provided with services and those provided with lesser or no services.
- Recognizing water reticulation, sanitation, refuse removal and electricity reticulation as the core services.
- Providing for environmental health care services to all households, not only poor ones.

The institutional support component

The institutional support component is particularly important for poor municipalities, which often unable to raise sufficient revenue to fund the basic costs of administration and governance. Such funding gaps make it impossible for poor municipalities to provide basic services to all their residents, clients and businesses. The component supplements the funding of a municipality for administrative and governance, but does not fully fund the entire administration and governance cost of a municipality, this remains the primary responsibility of each municipality.

Phokwane municipality is highly reliant on its portion of the equitable share allocation in meeting its financial obligations. The inability to timely collect revenue that is due to it, bear testimony (see financial ratios below for detail information). Phokwane municipality accounted for R40 701 million received from the equitable share allocation in 2009/10 compared to R ... million in 2008/2009 R30 751 million allocation in 2008/2009.



FINANCIAL PERFORMANCE REVIEW

Bank, Cash and Cash Equivalent

Bank, cash and cash equivalents at hand on 30 June 2010 amounted to R41 885 million compared to R6 812 million in 2008/2009 – an increase of R35 073 million or 514.87%. This is however not a true reflection of the main reasons for the decrease is due to physical position of cash and bank as at 30 June 2010. The physical bank as 30 June 2010 shows a favourable closing of R1 352 million. The reason for huge disparity between cashbook balance and bank statements balance is due to a substantial amount of unreconcilable items as at 30 June 2010. The latter is attributed to a lack of proper financial management which is further exacerbated by a lack in key systems of internal control. Phokwane Municipality is not really highly reliant on short term borrowings or bridging finance to meets its financial obligations.

Analysis / Performance Ratios

Legislation requires municipalities to measure and report on their performance when budgets are prepared as well as during at the end of the financial year. The purpose of the latter requirement is mainly to indicate the extent to which the targets or norms have been met and the performance attained.

The financial position of the council can best be determined by examining the ability of council to meet its short and long term obligations.

- **Liquidity**

Liquidity is the indicator that determines whether the municipality will be able to meet its short term obligations and is as follows.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

On 30 June 2009 the liquidity of council was as follows:

Current Assets: R108,920,495

Current Liabilities: R 81,585,260

$$\text{Current Ratio} = 1.34/1$$

The norms for this ratio is 2/1 and the liquidity test in the above clearly shows that council will experience cash flow problems in meeting its short term liabilities if prudent financial management practices are not immediately implemented.

- **Solvency**

Solvency is the indicator that determines whether the municipality will be able to meet its long term liabilities. It further indicates that if the municipality is dissolved whether the sale of assets will be sufficient to cover long term liabilities like loans.



FINANCIAL PERFORMANCE REVIEW

Solvency can be illustrated as follows:

$$\text{Solvency} = \frac{\text{Fixed Assets}}{\text{Long-term Liabilities}}$$

On 30 June 2009 the solvency of Council was as follows:

Fixed Assets: R135,166,875

Long-term Liabilities: R 9,710,941

Solvency = 1.39/1

If the result of this quotation is greater than one it indicates that the municipality will be able to meet its long term obligations.

- **Creditor Turnover**

Creditor payment days is 98 days. This means it takes the municipality on average 9 months from date of invoice to settle their outstanding creditors. The norm for municipalities is 60 days. (According to Section 65(2)(e) of the MFMA invoices should be paid within 30 days.

- **Debtor Recovery**

Debtor recovery days are 450 days. This means a consumer takes on average 1 year and 3 months to settle their municipal accounts. The norm for municipalities is 100 days.

- **Capital Cost Burden**

The result of the cost for interest and redemption indicates that 1.5% of revenue was required to service loan charges. This ratio will probably decrease with the decline or settlement of external loan during the 2009/10 financial year. The acceptable norm for municipalities is regarded as 20%.

- **Staff costs as % of gross expenditure**

Staff expenditure reflected as a percentage of the total gross expenditure was 28.08% for the 2009/2010 financial year. This is below the norm of 35% and will probably be negatively affected with the population of the approved staff structure in 2010/2011.

In summary, it is clear for the above analysis that the municipality surely does not stand the risk of insolvency given the fact its assets exceeds its liabilities. There is however a definite need to improve the current cash-flow situation to allow for an improve turnaround time with respect to creditors payment. The current creditor turnaround time of 98 days exceeds the set norm of 60 days and this further constitutes non-compliance with prescripts of MFMA that requires creditors to pay within 30 days after invoice.



REPORT OF THE AUDITOR-GENERAL

TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE PHOKWANE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Phokwane Local Municipality, which comprise statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Cash and cash equivalents

4. The existence, valuation, completeness as well as rights and obligations of cash and cash equivalent assets amounting to R17 393 743 and liabilities amounting to R41 884 868 included in note 19 to the financial statements could not be confirmed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and scope limitations identified:



- The cash and cash equivalent liability balance could not be confirmed, as the reconciliation between the bank statements and the cash-book balance could not be provided for audit purposes. An unexplained difference of R42 214 832 (2009: R8 163 525) was identified.
 - The CRR bank account could not be confirmed, as the reconciliation between the bank statements and the cash-book balance was not performed for the year under review. An unreconciled difference of R450 000 (2009: R493 360) was identified.
5. Cash and cash equivalents asset was overstated by R1 583 352 and current investments understated due to the incorrect classification of current investments included in the balance.

Irregular Expenditure

6. The municipality did not disclose any irregular expenditure in the financial statements, for the current and comparative financial year, as no systems or processes existed to identify and report on instances of irregular expenditure. Due to the following matters the completeness of irregular expenditure that should have been disclosed could not be determined:
- The municipality did not comply with the Supply Chain Management Regulations (GNR 868) for expenditure amounting to R39 427 179. The following represent the most significant matters identified in this regard:
 - i) No evidence could be submitted to indicate that the municipality had verified suppliers' tax status in several instances.
 - ii) In several instances there was no evidence that a competitive bidding process had been followed.
 - iii) There were also instances where the required number of quotations had not been obtained.
 - iv) There were also instances where the required purchases weren't advertised for suppliers to submit quotations.
 - Payments were made from conditional grants that were not in line with the objectives of the grant. The expenditure of R32 632 was for officials' studies and therefore resulted in irregular expenditure.

Property, plant and equipment

7. The existence, completeness and rights and obligations of property, plant and equipment (including infrastructure assets) to the value of R132 846 853, as disclosed in note 11 to the financial statements, could not be confirmed due to the following matters:
- Fixed assets amounting to R121 319 707 (2009: R97 986 475) could not be physically verified due to inadequate record keeping. The asset register did not contain a detailed description of the assets, the location of the assets and the quantity of the assets.
 - Fixed assets to the value of R350 138 were duplicated in the fixed asset register which resulted in fixed assets being overstated.
 - Various assets could not be traced from their location to the fixed asset register, which resulted in property, plant and equipment being understated.



- Supporting documentation amounting to R34 630 567 could not be provided for audit purposes as at 30 June 2009. The entity's records did not permit the application of alternative audit procedures.
- 8. Fixed assets were misstated by R21 356 207 due to work in progress not having been separately disclosed as required by GRAP 1. The effect of this was that fixed assets were overstated and work in progress was understated.
- 9. Assets were understated with an amount of R6 130 241 due to property, plant and equipment being incorrectly classified resulting in repairs and maintenance being overstated with R2 577 880, VAT claimed being overstated with R2 538 577, Investment property is overstated by R955 140, Intangible assets are understated by R58 644.

Trade receivables from exchange transactions

- 10. The existence, valuation, completeness as well as rights and obligations of trade receivables from exchange transactions disclosed as R69 391 880 in note 17 to the financial statements could not be confirmed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and limitations identified:
 - Supporting documentation could not be obtained for other consumer arrears as disclosed in note 17 amounting to R57 293 570 (2009: R9 416 728).
 - The receivable age analysis and the financial statements at 30 June 2010 do not agree as a difference of R34 713 082 was identified. The accuracy of the impairment of trade receivables amounting to R63 612 130 could therefore not be verified due to this material difference identified between the receivable age analysis and the financial statements.
 - Interest calculated on outstanding debtor accounts were not calculated using the approved interest rate, therefore resulting in an understatement of debtors and finance income amounting to R1 120 357.
 - The impairment for trade receivables at 30 June 2009 was incorrectly calculated and no supporting documentation could be obtained for the difference identified amounting to R190 751.

Trade and other payables from exchange transactions

- 11. The existence, valuation, completeness as well as rights and obligations of creditors disclosed as R30 850 723 in note 8 to the financial statements could not be confirmed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and scope limitations identified:
 - The age analysis and detailed listing of creditors amounting to R3 462 705 (2009: R5 529 712) could not be submitted for auditing. The entity's records did not permit the application of alternative audit procedures.
 - Sufficient appropriate audit evidence could not be submitted to validate creditors suspense accounts amounting to R27 360 318 (2009: R1 673 640) as the suspense accounts were not cleared and reconciled on a monthly basis. The entity's records did not permit the application of alternative audit procedures.
 - Expenditure amounting to R237 817 was incurred as at 30 June 2010 and was not accrued for resulting in the understatement of expenditure and trade payables.



- There was an unexplained difference of R3 350 608 as at 30 June 2009 between the accounts payable in the annual financial statements of R7 402 151 and the accounts payable in the creditors sub-general ledger of R4 051 543 submitted for audit purposes. The entity's records did not permit the application of alternative audit procedures.

Investment property

12. The completeness and existence of investment property to the value of R1 308 186, as disclosed in note 13 to the financial statements, could not be confirmed as properties subject to lease agreements could not be traced to the fixed asset register due to a lack of unique, accurate descriptions in the fixed asset register.

Revenue

13. A difference of R151 460 (2009: R65 559) was noted between the annual financial statements and calculation performed for property taxes. Property taxes are therefore understated with this amount.
14. Prepaid electricity was overstated by R5 448 774 as a result of the incorrect processing of journals for receipts that was already captured. Cash and cash equivalents was overstated with the same amount.
15. Grant income is understated by R3 621 459 (2009: R27 635 425) as a result of grant income being posted to the incorrect general ledger account. Debtor suspense accounts was overstated with the same amount.
16. A difference of R409 661 was noted between the annual financial statements and the general ledger for grant income. This resulted in grant income being overstated by R409 661 and grant liability being understated with the same amount.
17. The profit/loss for the 2006/2007 and 2007/2008 year could not be determined on the sale of two business properties, one to a municipal official and the second a private company due to supporting documentation not being provided for audit purposes. The entity's records did not permit the application of alternative audit procedures.
18. A register of fines issued and paid was not maintained as at 30 June 2009. Furthermore, amounts received for fines could not be traced back to supporting documentation. The completeness, accuracy and occurrence of income from fines amounting to R315 016 could not be confirmed. Alternative procedures could not be performed to confirm the completeness, accuracy and occurrence of income from fines.
19. Prepaid electricity income amounting to R75 083 in respect of sales of prepaid electricity by agents was received during the 2008-09 financial year, but no register or agreements were in place to support this amount. Consequently, the completeness and accuracy of this income could not be confirmed. No alternative procedures could be performed.
20. Rental income amounting to R93 218 in respect of the rental of facilities and equipment was received during the 2008-09 financial year, but no rental register or rental contracts existed to support this amount. Consequently, the completeness and accuracy of this income could not be confirmed. No alternative procedures could be performed.
21. A register of gains on disposals of assets was not maintained as at 30 June 2009. Furthermore, amounts received for gains on disposals of assets could not be traced back to supporting documentation. The completeness, accuracy and occurrence of income from gains on disposals of assets amounting to R863 376 could not be confirmed. Alternative procedures could not be performed to confirm the completeness, accuracy and occurrence of gains on disposals of assets.



22. Income from licences and permits amounting to R1 922 949 was received during the 2008-09 financial year, but no register existed to support this amount. Alternative procedures could not be performed to confirm the completeness, accuracy and occurrence of income from licences and permits.
23. No supporting documentation could be obtained for credit journals amounting to R5 728 765. Consequently, I was unable to confirm the accuracy, completeness and occurrence of transactions in respect of this revenue. The entity's records did not permit the application of alternative audit procedures regarding journals.
24. As at 30 June 2009, the occurrence, accuracy, completeness, classification and cut-off of other income amounting to R786 606 in the statement of financial performance could not be confirmed. I was unable to satisfy myself by alternative means concerning the scope limitations identified.
25. The following grant income in the financial statements did not agree to the DoRA schedules of the specific grants as at 30 June 2009. No explanation or supporting documentation was provided by management.

Grant	Financial statements	DoRA schedule	Difference
Municipal infrastructure grant	R5 580 000	R11 580 000	R6 000 000

26. A difference of R7 353 425 was noted as at 30 June 2009 between the receipts per the grant schedule amounting to R58 699 557 and the receipts per the bank statements amounting to R51 346 131. As reconciliations were not performed, I could not confirm the completeness, accuracy and occurrence of grant receipts.
27. The completeness and accuracy of receipts could not be confirmed as at 30 June 2009, as I identified receipts on the bank statements amounting to R10 437 373 that could not be traced to the general ledger. Alternative procedures could not be performed to confirm the completeness and accuracy of receipts recorded.

Expenditure

28. The occurrence, accuracy, completeness, classification of grants and subsidies paid, general expenses and bulk purchases disclosed as R1 639 263, R16 165 323 and R31 354 452 respectively in the statement of financial performance, could not be confirmed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and scope limitations identified:
- Supporting documentation for expenditure amounting to R24 218 596 (2009: 6 247 618) could not be provided for audit purposes. The entity's records did not permit the application of alternative audit procedures.
 - Supporting documentation for subsistence and travelling allowances amounting to R238 418 could not be provided for audit purposes. The entity's records did not permit the application of alternative audit procedures.
 - Supporting documentation for other operating grant expenditure amounting to R4 148 536 (2009: 3 778 209) could not be provided for audit purposes. The entity's records did not permit the application of alternative audit procedures.
 - Supporting documentation for expenditure amounting to R10 692 456 for the 30 June 2009 year could not be provided for audit purposes. The entity's records did not permit the application of alternative procedures.



29. The municipality made a double payment to a supplier during the year and the money was not refunded on the payment made. This resulted in expenditure being overstated by R170 041.
30. The municipality reversed an incorrect journal processed to bulk purchases with duplicate journals resulting in the duplication of expenditure. Bulk purchases is therefore understated with an amount of R1 745 614 and VAT is overstated with the same amount.
31. GRAP 1, *Presentation of Financial Statements* states that expenses must be separately disclosed on the face of the statement of financial performance. The municipality had operating grant expenditure amounting to R4 912 298 which it did not separately disclose on the face of the statement of financial performance.

Employee costs

32. I was unable to confirm the completeness, accuracy, classification and occurrence of employee-related costs and remuneration of councillors as at 30 June 2009 disclosed as R25 756 488 and R3 705 224 in note 24 and 25 in the financial statements, respectively, as no reconciliation between the payroll and the financial statements was performed. Supporting documentation could not be obtained to substantiate the difference amounting to R2 769 780. The entity's records did not permit the application of alternative procedures.

Value - added Tax

33. The existence, valuation, completeness and rights and obligations of VAT disclosed as R6 934 043 in note 10 to the financial statements could not be confirmed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and limitations identified:
 - I was unable to audit the difference between the VAT control account at year end and the VAT 201 return submitted for June 2010 due to the reconciliation not being provided for audit purposes. No alternative procedures could be performed.

Long term liabilities

34. The existence, valuation and rights and obligations of long-term liabilities amounting to R1 373 201 as disclosed in note 3 to the financial statements, could not be confirmed. I was unable to satisfy myself by alternative means concerning the following scope limitations identified:
 - Supporting documentation amounting to R1 000 000 (2009: R1 000 000) could not be provided for audit purposes.
 - Journals amounting to R2 004 042 could not be substantiated by sufficient appropriate audit evidence as at 30 June 2009.

Unspent conditional grants

35. Unspent conditional grants included in note 9 of the annual financial statements is understated by R3 207 523 as project related transactions were incorrectly allocated to suspense accounts. Creditor suspense accounts are therefore overstated with this amount.

**Disclosure**

36. GRAP 1, *Presentation of Financial Statements* states that adequate disclosure must be made in the financial statements to achieve fair presentation. The following were incorrectly disclosed in the annual financial statements:

- Finance leases
- Land and buildings
- Cash flow statement
- Distribution Losses
- Investment Property
- IFRS7 – Financial risk management
- Commitments
- Revenue rebates

37. The following disclosures were misstated in the annual financial statements:

- Contingent liabilities amounting to R5 505 000 were not disclosed in the financial statements.
- Sufficient appropriate audit evidence could not be obtained for the amount of R2 475 726 as disclosed in note 43(d) in the financial statements for current year receivables disclosed under credit risk. The municipality's records did not permit the application of alternative audit procedures.
- The municipality did not disclose financial assets exposed to credit risk in the financial statements. This resulted in the disclosed figure being understated with R10 147 023 (2009: R9 100 987).
- Material losses amounting to R1 095 000, due to toilet stands being vandalised, was not disclosed in the annual financial statements as required by section 125(d)(i) of the MFMA.
- The municipality did not disclose the following items as required by section 125 of the MFMA, contributions to organised local government, Audit fees, PAYE, pension and medical aid deductions, councilor's arrears consumer accounts, VAT and Disclosure of the act.
- The municipality did not disclose intergovernmental and other allocations as required by section 123(d) and (f).
- The description of income amounting to R2 391 817 disclosed in note 23 of the financial statements as "other" is not descriptive for the disclosure of the material amount.
- The related party disclosure in note 49.01 to the annual financial statements is not complete as not all councillors, Section 57 employees and other related party relationships were disclosed.
- The annual financial statements of the municipality do not disclose the following matters:



- known or reasonably estimable information relevant to assessing the possible impact that application of the GRAP standards not yet approved will have on the entity's financial statements in the period of initial application [GRAP 3.30 (b)].
- the reasons why applying the new accounting policy provides reliable and more relevant information [GRAP 3.29 (b)].
- The municipality did not disclose consumer deposits to the value of R1 626 234 as collateral in the financial statements. This resulted in the required disclosure not being made.

Employee Benefits

38. Supporting documentation could not be obtained for bonuses amounting to R512 299. The entity's records did not permit the application of alternative audit procedures. The leave liability was incorrectly calculated which resulted in the liability and employee cost being overstated with R692 507.

Unauthorised expenditure

39. As at 30 June 2009, I have compared the budgeted expenditure with the actual expenditure per the financial statements and found that the unauthorised operating expenditure disclosed as R18 474 092 was understated by R1 764 554 and should have been R20 238 646.

Fruitless and wasteful expenditure

40. Fruitless and wasteful expenditure amounting to R98 676 were not disclosed in the financial statements as required by section 32 of the MFMA:
- Subsistence and travel to the amount of R700 was paid in excess of the approved tariffs of the subsistence and travel policy.
 - Interest and penalties were paid on late submission of Value Added Tax (VAT) returns amounting to R9 247.
 - Chemicals that were purchased for R53 721 by the municipality were wasted and the chemicals had to be re-purchased.
 - As at 30 June 2009, interest amounting to R35 008 was incurred in respect of invoices paid after the due date.

Risk of fraud and error

Owing to management not implementing sufficient controls as well as the extent of differences and uncertainties identified during the audit, material irregularities might exist at the municipality that will not be prevented or identified by the system of internal control and that would not have been identified during the audit due to the material limitations placed on the scope of the audit.

Disclaimer of opinion

41. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.



Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Restatement of corresponding figures

42. As disclosed in note 32 to the financial statements, the corresponding figures for the 30 June 2009 have been restated as a result of an error discovered during 2009-10 in the financial statements of the municipality at, and for the year ended, 30 June 2009.

Unauthorised expenditure

43. Unauthorised expenditure incurred amounting to R26 730 580 has been disclosed in note 38 to the financial statements.

Additional matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Material inconsistencies in other information included in the annual report

44. I have not obtained the annual report and therefore have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

45. The supplementary information as set out in appendices [xx] and [xx] does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

46. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA, Treasury Regulations, the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA), the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000), the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and the Municipal Structures Act of South Africa, 1998 (Act No. 117 of 1998), and financial management (internal control).



Findings

Predetermined objectives

Lack of adoption or implementation of a performance management system

47. The Phokwane Local Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

No mid – year budget and performance assessments

48. The accounting officer of the Phokwane Local Municipality did not assess the actual performance against the predetermined objectives as required by section 72(1)(a)(ii) of the MFMA.

Inadequate content of integrated development plan

49. The integrated development plan of the Phokwane Local Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Compliance with laws and regulations

Municipal Finance Management Act, No 56 of 2003

50. Contrary to the requirements of section 11(4) of the MFMA, the accounting officer did not within 30 days after the end of each quarter table in the municipal council a consolidated report of all withdrawals made in terms of subsection 1 (b) to (j) during that quarter and did not submit a copy of the report to the relevant provincial treasury and the Auditor-General.
51. Contrary to the requirements of section 14(5) of the MFMA, a transfer of ownership of a capital asset must be fair, equitable, transparent, competitive and consistent with the supply chain management policy. No documentation was provided for auditing purposes to assess whether the sale to an official and a private entity was done in accordance to the section.
52. Contrary to the requirements of section 52(d) of the MFMA, the mayor of the municipality did not within 30 days of the end of each quarter; submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.
53. Contrary to section 71, the accounting officer did not within 10 days after the end of each month submit to the Mayor and Provincial Treasury the monthly budget monitoring reports.
54. Contrary to section 17(3), when the original budget was tabled in terms of section 16(2) it was not accompanied by the required supporting documentation as set out in subsections (a) to (m) of this section of the MFMA.



55. Contrary to the requirements of section 78(1) of the MFMA, senior managers or an official of the municipality exercising financial management responsibilities did not take reasonable steps within his/her areas of responsibility to ensure that:
- the system of financial management and internal control established for the municipality is carried out diligently
 - the financial and other resources of the municipality were utilised effectively, efficiently, economically and transparently
 - all revenue due to the municipality was collected
 - the assets and liabilities of the municipality were managed effectively and that the assets were safeguarded and maintained to the extent necessary
 - all information required by the accounting officer for compliance with the provisions of the MFMA was timeously submitted to the accounting officer
 - the provisions of the MFMA, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, were complied with.
56. Contrary to section 70(1), the overspending of the municipality's budget was not reported to the municipal council by the accounting officer as required.
57. Contrary to the requirements of section 75 of the MFMA, the municipality did not place the required information on their website.
58. Contrary to the requirements of Section 32(4) of the MFMA, the municipality did not report on the occurrence of unauthorised, fruitless and wasteful and irregular expenditure.
59. Contrary to the requirements of section 126 of the MFMA, the municipality did not submit its financial statements for auditing by 31 August 2010.
60. Contrary to the requirements of section 65(2)(e) of the MFMA, suppliers were not paid within the required 30 days from the receipt of an invoice, or such a period as prescribed for certain categories of expenditure.
61. Contrary to section 62(1)(c), the municipality does not have proper internal control systems, resulting in the annual financial statements being materially misstated.
62. Contrary to the requirements of 63, the municipality did not develop proper procedures to ensure that the fixed asset register of the municipality is updated and reconciled on a monthly basis, bank reconciliations, creditors' reconciliations and debtors' reconciliations are performed and reviewed on a monthly basis and that inventory counts are performed.

Municipal Systems Act

63. Contrary to Schedule 1 section 5 of the Municipal Systems Act councillors did not declare their interests for the 2009-10 financial year.

**Preferential Procurement Policy Framework Act 5 of 2000**

- 64. Contrary to section 6, the municipality did not utilise the 90/10 point system for all procurement equal to or above R500 000, for the procurement of goods and services amounting to R4 964 400.
- 65. Contrary to the requirements of section 3, the municipality did not utilise the 80/20 point system for all procurement equal to or above R30,000 and up to a rand value of R500,000, for the procurement of goods and services amounting to R1 856 735.

Supply Chain Management Regulations of 30 May 2005

- 66. Contrary to the requirements of section 6, the accounting officer did not submit a report on the implementation of the supply chain management policy within 30 days of the end of each financial year to the municipal council.
- 67. Contrary to the requirement of section 17, the municipality supplier database is not complete and accurate.
- 68. Contrary to the requirement of SCM regulation 43, the municipality did not obtain suppliers tax clearance certificates before transactions to the value of R1 335 784.00 were concluded.
- 69. Contrary to the requirements of section 26, the municipality does not have a bid specification committee.
- 70. Contrary to the requirements of section 12, the municipality did not obtain quotations for procurement equal to or above R2 000 and up to R200 000, for expenditure amounting to R3 191 405.
- 71. Contrary to section 18(a), the municipality did not advertise tenders for procurement equal to or above R30 000 and up to R200 000 on its website and notice boards, for expenditure amounting to R1 742 232.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Treasury Regulations, DoRA, the Preferential Procurement Policy Framework Act, 2000, the MSA and the Municipal Structures Act, 1998, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

- 72. The accounting officer did not ensure that proper internal control procedures are developed, implemented and monitored to report on the property, plant and equipment of the municipality.
- 73. The accounting officer of the municipality did not ensure that internal control procedures are developed, implemented and monitored that will ensure that monthly financial statements are prepared and subjected to review.
- 74. The accounting officer did not ensure that internal control procedures are developed, implemented and monitored that will ensure that bank reconciliations, debtors reconciliations, creditors reconciliations and VAT reconciliations are performed and reviewed on a monthly basis.
- 75. The accounting officer did not communicate the commitment to quality in preparing the annual financial statements and maintenance of the fixed asset register



76. The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of preparing bank reconciliations, maintaining the fixed asset register and preparing annual financial statements.
77. The accounting officer did not implement and monitor corrective action relating to prior year external audit findings.

Financial and performance management

78. The municipality does not have individuals who understand the GRAP financial reporting framework as the disclosure requirements have not been met.
79. The financial statements are not reviewed for completeness and accuracy prior to submission for audit.
80. Requested information was not available and supplied resulting in a limitation of scope on our audit procedures.

Governance

81. The financial statements were not reviewed prior to submission.
82. The annual performance report was not prepared and submitted.
83. Implementation of external audit recommendations are not monitored.
84. The accounting officer of the municipality did not ensure that a financial and risk unit has been established.

Auditor-General

Kimberley

22 December 2010



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010



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PHOKWANE MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Phokwane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Phokwane Municipality includes the following areas:

Pampierstad, Hartswater, Jan Kemp Settlement and the Farming Areas. The geographical area is approximately 835km in extent and accommodates approximately 61314 people (Census 2001). It is a peri-urban area with serious socio-economic challenges versus unemployment, high rate of poverty, low skilled workforce and serious basic service infrastructure challenges such as roads, sewer network, housing and water services.

MEMBERS OF THE EXECUTIVE COMMITTEE

V Khen (Chairperson)
E Adams
D Modimogale
P Nel

MEMBERS OF SUB-COMMITTEES

E Adams - Chairperson: Social & Community Services
D Modimogale - Chairperson: Corporate & Development Services
H Modiakgotla - Chairperson: Budget & Treasury Services
R Gaebee - Chairperson: Technical & Engineering Services

MUNICIPAL MANAGER

MP Dichaba

CHIEF FINANCIAL OFFICER

TP Sediti

REGISTERED OFFICE

24 Hertzog Street
Hartswater
8570

AUDITORS

Auditor-General
P O Box 5103
Kimberley

PRINCIPLE BANKERS

ABSA

ATTORNEYS

On assignment appointments

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

PHOKWANE MUNICIPALITY

MEMBERS OF THE PHOKWANE MUNICIPALITY

WARD

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Proportional
Proportional
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Proportional

COUNCILLOR

SM Motshabe
M Modimogale
FO Pitso
SS Paul
MM Gill
KD Mashorie
HM Modiakgotla
EL Adams
S Mooketsi
V Khen
DM Moeketsi
S Arends
RR Gaebee
SM Raadt
PJ Nel
GJ Visser
S Lewis
BG Modise

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Municipal Manager

Date

PHOKWANE MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		152 791 169	107 604 398
Accumulated Surplus		152 791 169	107 604 398
Non-Current Liabilities		9 710 941	10 489 274
Long-term Liabilities	3	1 373 201	2 835 037
Non-Current Employee Benefits	4	8 337 740	7 654 237
Current Liabilities		84 133 744	32 176 683
Consumer Deposits	6	1 626 234	1 592 574
Current Employee Benefits	7	3 824 366	2 310 874
Trade and other payables	8	30 850 723	14 135 772
Unspent Conditional Government Grants and Receipts	9	4 484 938	6 067 671
Cash and Cash Equivalents	19	41 884 868	6 812 206
Current Portion of Long-term Liabilities	3	1 462 614	1 257 586
Total Net Assets and Liabilities		246 635 853	150 270 355
ASSETS			
Non-Current Assets		135 166 875	120 638 396
Property, Plant and Equipment	11	132 846 853	118 256 006
Non-Current Assets Held for Sale	12	1 000 000	1 000 000
Investment Property	13	1 308 186	1 382 389
Intangible Assets	14	11 833	-
Long-Term Receivables	15	-	-
Current Assets		111 468 979	29 631 959
Inventory	16	853 520	898 101
Trade Receivables from exchange transactions	17	69 391 880	2 180 250
Other Receivables from non-exchange transactions	18	10 147 023	9 100 987
Unpaid Conditional Government Grants and Receipts	9	6 748 770	2 600 678
Taxes	10	6 934 043	6 486 816
Current Portion of Long-term Receivables	15	-	1 080
Cash and Cash Equivalents	19	17 393 743	8 364 046
Total Assets		246 635 853	150 270 355

PHOKWANE MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
REVENUE			
Revenue from Non-exchange Transactions		80 352 183.31	64 669 724
Taxation Revenue			
Property taxes	20	6 446 453	5 409 815
Transfer Revenue		73 756 867	58 386 463
Government Grants and Subsidies	21	73 756 867	58 386 463
Other Revenue		148 863	873 446
Fines		148 863	315 016
Actuarial Gains	4	-	558 430
Revenue from Exchange Transactions		69 358 047	52 404 124
Service Charges	22	57 513 915	43 880 138
Rental of Facilities and Equipment		221 246	93 218
Interest Earned - external investments		547 873	1 306 961
Interest Earned - outstanding debtors		5 873 581	4 414 251
Licences and Permits		1 612 185	1 922 950
Income for Agency Services		694 948	-
Other Income	23	2 894 299	786 606
Total Revenue		149 710 231	117 073 848
EXPENDITURE			
Employee related costs	24	29 353 821	25 756 488
Remuneration of Councillors	25	4 119 204	3 705 224
Debt Impairment	26	3 674 105	18 353 488
Depreciation and Amortisation		12 089 554	9 939 156
Repairs and Maintenance		3 865 148	584 246
Finance Charges	27	987 682	401 896
Actuarial losses	4	-	-
Bulk Purchases	28	31 354 452	19 304 933
Contracted services		1 274 907	852 954
Grants and Subsidies Paid	29	1 639 263	2 791 228
Other Operating Grant Expenditure		-	3 778 210
General Expenses	30	16 165 323	17 148 084
Total Expenditure		104 523 460	102 615 905
Operating Surplus for the Year		45 186 771	14 457 943
Loss on disposal of Property, Plant and Equipment		-	-
Gain on disposal of Property, Plant and Equipment		-	863 376
NET SURPLUS/(DEFICIT) FOR THE YEAR		45 186 771	15 321 319

Refer to Appendix D(1) for explanation of budget variances

PHOKWANE MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 30 JUNE 2008	86 204 560	86 204 560
Correction of error - Note 32.04	6 078 519	6 078 519
Balance at 1 JULY 2008	92 283 079	92 283 079
Net Surplus for the year as stated previously	21 814 007	21 814 007
Correction of error - Note 32.05	580 030	580 030
Correction of error - Note 32.03	(7 072 718)	(7 072 718)
	-	-
Balance at 30 JUNE 2009	107 604 398	107 604 398
Net Surplus/(Deficit) for the year	45 186 771	45 186 771
Balance at 30 JUNE 2010	152 791 169	152 791 169

PHOKWANE MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		66 761 689	86 919 882
Cash paid to suppliers and employees		(70 398 326)	(73 461 603)
Cash generated by operations	34	(3 636 637)	13 458 279
Interest Received		6 421 454	5 721 213
Interest Paid		(987 682)	(401 896)
Net Cash from Operating Activities		1 797 136	18 777 596
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(26 604 467)	(20 566 049)
Proceeds on Disposal of Fixed Assets		-	863 376
Increase in Intangible Assets		(13 565)	-
Increase in Investment Properties		-	(296 400)
Decrease in Long-term Receivables		1 080	-
Net Cash from Investing Activities		(26 616 953)	(19 999 072)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(1 256 808)	(1 083 137)
Increase in Consumer Deposits		33 660	111 259
Net Cash from Financing Activities		(1 223 148)	(971 878)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(26 042 965)	(2 193 353)
Cash and Cash Equivalents at the beginning of the year		1 551 841	3 745 193
Cash and Cash Equivalents at the end of the year	35	(24 491 125)	1 551 841
NET INCREASE IN CASH AND CASH EQUIVALENTS		(26 042 966)	(2 193 353)

ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise, and in accordance with the requirements of the MFMA and DoRA.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts

IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation
IAS 39 (AC133)	Financial Instruments: Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

GRAP 12 – Inventories
 GRAP 16 – Investment Property
 GRAP 17 – Property, Plant and Equipment
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
 GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Principles of GRAP 23 were applied in formulating the accounting treatment of non-exchange revenue, where the application of only GAMAP 9, as required by GRAP 9 until GRAP 23 is effective, is insufficient.

1.6. LEASES

1.6.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.6.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.7. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested separately or as part of the municipality's Cash and Cash Equivalents until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.8. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.9. EMPLOYEE BENEFITS

(a) *Pension obligations*

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.10. PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative or community purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.10.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.10.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Stormwater	7-30	Safety Equipment	10
Electricity	7	Fire Equipment	5-7
Water	7-30	Office equipment	7
Sewerage	7-30	Furniture and fittings	7
Housing	10-30	Communication Equipment	10
		Other	10
<u>Community</u>		Vehicles and Plant	7-20
Buildings	10-30	Computer Equipment	5-10
Recreational Facilities	10-30	Machinery and Equipment	7-10
Libraries	30		
Parks and gardens	10-30		
Non-residential Structures	7		
		<u>Intangible Assets</u>	5
<u>Heritage Assets and Land</u>			
Historical Buildings	30		
Paintings and Art Galleries	30		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11. INTANGIBLE ASSETS

1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.11.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.11.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

1.11.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12. INVESTMENT PROPERTY

1.12.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied

property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.12.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.12.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.12.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. NON-CURRENT ASSETS HELD FOR SALE

1.13.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.13.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.14. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.15. INVENTORIES

1.15.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.15.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction

in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.16. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, long term liabilities and trade and other payables.

1.16.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.16.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.16.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either available for sale where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.16.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment

and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.16.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value plus transaction costs where applicable and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.16.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: available for sale.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.16.3 De-recognition of Financial Instruments

1.16.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.16.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.17. REVENUE

1.17.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity or person without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.17.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied annually or monthly by choice of the user.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.17.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- 1) The required outputs and outcomes; and
- 2) That any unspent portion must be repaid to the grantor.

1.18. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. CONTINGENT LIABILITIES

Contingent liability will be recognised when a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the municipality.

1.23. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.20 above), specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, or whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.24. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.25. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

PHOKWANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2		
NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	-	-
Capitalisation Reserve	-	-
Government Grant Reserve	-	-
Total Net Asset Reserve and Liabilities	-	-
3		
LONG TERM LIABILITIES		
Sinking Fund loan from ABSA	1 000 000	1 000 000
Government Loans : Other	1 207 271	2 251 119
Capitalised Lease Liability - At amortised cost	628 544	841 503
	2 835 815	4 092 623
Less: Current Portion transferred to Current Liabilities	1 462 614	1 257 586
Government Loans : Other	1 207 271	1 044 626
Capitalised Lease Liability - At amortised cost	255 343	212 960
	1 373 201	2 835 037
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1 373 201	2 835 037
The obligations under government loans are scheduled below:		
	Minimum loan payments	
Amounts payable under loans:		
Payable within one year	1 305 312	1 305 316
Payable within two to five years	-	1 304 868
	1 305 312	2 610 184
Less: Future finance obligations	(98 041)	(359 065)
Present value of loan obligations	1 207 271	2 251 119
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	332 554	315 683
Payable within two to five years	412 439	744 993
	744 993	1 060 676
Less: Future finance obligations	(116 449)	(219 173)
Present value of lease obligations	628 544	841 503
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
Leases are secured by property, plant and equipment - Note 11		
4		
NON-CURRENT EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	7 153 637	6 592 312
Long Service Awards - Refer to Note 4.2	1 184 103	1 061 925
Total Non-current Employee Benefits	8 337 740	7 654 237
Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		

	2010 R	2009 R
<u>Post Retirement Benefits</u>		
Balance 1 July	6 863 656	6 647 152
Contribution for the year	853 596	972 435
Expenditure for the year	(271 344)	(246 648)
Actuarial Loss/(Gain)	-	(509 283)
Total post retirement benefits 30 June	7 445 908	6 863 656
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(292 271)	(271 344)
Balance 30 June	7 153 637	6 592 312

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Long Service Awards

Balance 1 July	1 290 847	1 243 715
Contribution for the year	293 439	280 865
Expenditure for the year	(228 922)	(184 586)
Actuarial Loss/(Gain)	-	(49 147)
Total long service 30 June	1 355 364	1 290 847
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(171 261)	(228 922)
Balance 30 June	1 184 103	1 061 925

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	8 154 503	7 890 867
Contribution for the year	1 147 035	1 253 300
Expenditure for the year	(500 266)	(431 234)
Actuarial Loss/(Gain)	-	(558 430)
Total employee benefits 30 June	8 801 272	8 154 503
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(463 532)	(500 266)
Balance 30 June	8 337 740	7 654 237

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	73	60
Continuation members (e.g. Retirees, widows, orphans)	15	14
Total Members	88	74

The liability in respect of past service has been estimated to be as follows:

In-service members	3 390 636	2 808 384
Continuation members	4 055 272	4 055 272
Total Liability	7 445 908	6 863 656

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed;
LA Health;
Key Health;
SAMWU Medical Aid and
Medshield.

The Future-service Cost for the ensuing year is estimated to be R 255 431, whereas the Interest Cost for the next year is estimated to be R 672 363.

Key actuarial assumptions used:

i) **Rate of interest**

	2010 %	2009 %
Discount rate	9.21	9.21
Health Care Cost Inflation Rate	7.71	7.71
Net Effective Discount Rate	1.39	1.39

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

The normal retirement age for employees of the municipality is 63 years.
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 445 908	6 863 656
Net liability/(asset)	7 445 908	6 863 656
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	6 863 656	6 647 152
Total expenses	582 252	725 787
Current service cost	233 897	264 094
Interest Cost	619 699	708 341
Benefits Paid	(271 344)	(246 648)
Actuarial (gains)/losses	-	(509 283)
Present value of fund obligation at the end of the year	7 445 908	6 863 656
Less: Transfer of Current Portion - Note 7	(292 271)	(271 344)
Balance 30 June	7 153 637	17 096 098

4

EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	3.391	4.055	7.446	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.475	4.508	7.983	16%
Health care inflation	-1%	2.289	3.665	5.954	-13%
Post-retirement mortality	-1 year	2.898	4.203	7.101	3%
Average retirement age	-1 year	3.050	4.055	7.106	4%
Withdrawal Rate	-50%	9.841	4.055	7.234	5%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 58 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R204 090, whereas the Interest cost for the next year is estimated to be R114 573.

Key actuarial assumptions used:

i) **Rate of interest**

	%	%
Discount rate	9.01	9.01
General Salary Inflation (long-term)	6.62	6.62
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24	2.24

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 355 364	1 290 847
Net liability	1 355 364	1 290 847

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year
Total expenses

Current service cost
Interest Cost
Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

Less: Transfer of Current Portion - Note

Balance 30 June

2010
R

2009
R

1 290 847	1 243 715
64 517	96 279
187 221	154 176
106 218	126 689
(228 922)	(184 586)
-	(49 147)
1 355 364	1 290 847
(171 261)	(228 922)
1 184 103	1 061 925

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.355	
General salary inflation	1%	1.365	6%
General salary inflation	-1%	1.223	-5%
Average retirement age	-2 yrs	1.141	-12%
Average retirement age	2 yrs	1.396	8%
Withdrawal rates	-50%	1.442	12%

4.3 Retirement funds**CAPE JOINT PENSION FUND**

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R 200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.

CAPE RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined contribution section the last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R12,033 (R 20,22) million with a funding level of 103,3% (105,3%) and is in a sound financial position as at 30 June 2008.

MUNICIPAL COUNCILLORS PENSION FUND

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current provisions

-	-
-	-

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 49

6 CONSUMER DEPOSITS

Electricity and Water

Total Consumer Deposits

1 626 234	1 592 574
1 626 234	1 592 574

The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

CURRENT EMPLOYEE BENEFITS

	2010 R	2009 R
Staff Leave	2 848 536	1 298 310
Employee bonuses	512 299	512 299
Current Portion of Non-Current Employee benefits	463 532	500 266
Current Portion of Post Retirement Benefits - Note 4	292 271	271 344
Current Portion of Long-Service Awards - Note 4	171 261	228 922
Total Provisions	3 824 366	2 310 874

The movement in current provisions are reconciled as follows:

Post Retirement Benefits

Balance at beginning of year	271 344	246 648
Adjustment from non-current	20 927	24 696
Balance at end of year	292 271	271 344

Long-service Awards

Balance at beginning of year	228 922	184 586
Adjustment from non-current	(57 661)	44 336
Balance at end of year	171 261	228 922

Staff Leave

Balance at beginning of year	1 298 310	1 198 302
Contribution to provision	1 601 369	208 825
Payments made during the year	(51 142)	(108 817)
Balance at end of year	2 848 536	1 298 310

Employee Bonuses

Balance at beginning of year	512 299	-
Contribution to provision	-	512 299
Expenditure incurred	-	-
Balance at end of year	512 299	512 299

TOTAL - CURRENT EMPLOYEE BENEFITS

Balance at beginning of year	2 310 874	1 629 536
Adjustment from non-current	(36 734)	69 032
Contribution to provision	1 601 369	721 124
Expenditure incurred	(51 142)	(108 817)
Balance at end of year	3 824 366	2 310 874

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 4 to the Financial Statements, Other Defined Benefit Plan Information

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

TRADE AND OTHER PAYABLES

Trade Payables	3 462 705	7 402 154
Payments received in advance	-	1 189 971
Other Creditors	27 360 318	5 529 712
Deposits: Other	27 700	13 935
Total Trade Payables	30 850 723	14 135 772

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

		2010 R	2009 R
9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
9.01	<i>Conditional Grants from other spheres of Government</i>		
	Unspent Grants		
	National and Provincial Government Grants	4 484 938	6 067 671
		4 484 938	6 067 671
	Less: Unpaid Grants		
	National and Provincial Government Grants	6 748 770	2 600 678
		6 748 770	2 600 678
	Total Conditional Grants and Receipts	(2 263 832)	3 466 993
	See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10	TAXES		
	VAT Receivable	6 934 043	6 486 816
	VAT is payable/receivable on the cash basis.		

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Cost	Additions	Disposals	Closing Balance	Accumulated Depreciation	Disposals	Closing Balance	Carrying Value
	Opening Balance R	R	R	R	Opening Balance R	R	R	R
Land and Buildings	5 767 859	-	-	5 767 859	1 755 310	389 999	2 145 309	3 622 550
Land	-	-	-	-	-	-	-	-
Buildings	5 767 859	-	-	5 767 859	1 755 310	389 999	2 145 309	3 622 550
Infrastructure	128 902 845	25 342 674	-	154 245 520	31 938 830	9 267 831	41 206 661	113 038 859
Roads & Stormwater	29 738 388	7 568 547	-	37 306 935	3 594 281	1 366 227	4 960 508	32 346 427
Sewerage	42 105 646	9 908 196	-	52 013 842	15 015 049	3 909 809	18 924 858	33 088 984
Electricity	21 508 851	3 186 619	-	24 695 469	6 914 437	1 791 547	8 705 984	15 989 486
Water	35 549 960	4 679 313	-	40 229 273	6 415 063	2 200 248	8 615 311	31 613 962
Community Assets	8 890 884	37 585	-	8 928 469	3 400 531	763 964	4 164 495	4 763 974
Recreation Grounds	5 346 683	-	-	5 346 683	1 781 599	460 054	2 241 653	3 105 030
Civil Buildings	2 782 052	-	-	2 782 052	1 219 829	229 916	1 449 745	1 332 307
Libraries	691 087	-	-	691 087	370 357	67 281	437 638	253 449
Parks and Gardens	71 062	-	-	71 062	28 745	5 185	33 930	37 132
Non Residential Structures	-	37 585	-	37 585	-	1 529	1 529	36 056
Housing Rental Stock	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
Sub-economical Housing	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
Heritage Assets	218 252	-	-	218 252	40 541	7 275	47 816	170 436
Historical Buildings	158 907	-	-	158 907	29 517	5 297	34 814	124 093
Painting & Art Galleries	59 345	-	-	59 345	11 024	1 978	13 002	46 343
Other Assets	13 673 687	1 224 208	-	14 897 894	5 547 163	1 445 209	6 992 372	7 905 522
Office Equipment	1 592 805	107 607	-	1 700 412	437 487	166 591	604 078	1 096 334
Furniture & Fittings	629 391	131 875	-	761 266	237 542	69 392	306 934	454 332
Communication Equipment	94 084	-	-	94 084	35 260	9 408	44 669	49 415
Other	2 746 060	-	-	2 746 060	1 191 480	274 606	1 466 086	1 279 974
Safety Equipment	1 951	-	-	1 951	1 087	195	1 282	669
Fire Equipment	169 348	-	-	169 348	74 544	13 386	87 930	81 418
Vehicles and Plant	7 527 886	417 798	-	7 945 684	3 112 536	789 555	3 902 091	4 043 593
Computer Equipment	912 162	363 718	-	1 275 880	457 226	110 227	567 453	708 427
Machinery and Equipment	-	203 209	-	203 209	-	11 850	11 850	191 360
Intangible assets	-	13 565	-	13 565	-	1 732	1 732	11 833
Intangible assets	-	13 565	-	13 565	-	1 732	1 732	11 833
	161 633 760	26 604 467	-	188 238 227	43 377 755	12 013 619	55 391 374	132 846 853

30 JUNE 2009

Reconciliation of Carrying Value

Land and Buildings

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation Additions R	Disposals R	Closing Balance R	Carrying Value R
Land	4 562 971	1 204 888	-	5 767 859	1 395 192	360 119	-	1 755 310	4 012 549
Buildings	4 562 971	1 204 888	-	5 767 859	1 395 192	360 119	-	1 755 310	4 012 549

Infrastructure

Stormwater	110 888 704	18 014 141	-	128 902 845	24 631 100	7 307 730	-	31 938 830	96 964 015
Roads	110 888 704	18 014 141	-	128 902 845	24 631 100	7 307 730	-	31 938 830	96 964 015
Sewerage	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-

Community Assets

Recreation Grounds	8 786 959	103 925	-	8 890 884	2 643 044	757 487	-	3 400 531	5 490 353
Cemetery	8 786 959	103 925	-	8 890 884	2 643 044	757 487	-	3 400 531	5 490 353

Heritage Assets

Buildings	218 252	-	-	218 252	33 266	7 275	-	40 541	177 711
	218 252	-	-	218 252	33 266	7 275	-	40 541	177 711

Other Assets

Office Equipment	16 610 825	1 243 095	-	17 853 920	4 802 225	1 440 317	-	6 242 543	11 611 377
Housing	12 430 592	1 243 095	-	13 673 687	4 239 372	1 307 790	-	5 547 163	8 126 524
	4 180 233	-	-	4 180 233	562 853	132 527	-	695 380	3 484 853
	141 067 712	20 566 049	-	161 633 761	33 504 827	9 872 928	-	43 377 755	118 256 006

11 PROPERTY, PLANT AND EQUIPMENT

The leased property, plant and equipment is secured as set out in Note 3.

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land:

Property, Plant and Equipment financed by way of finance leases;

Property, Plant and Equipment financed by way of provisions;

Property, Plant and Equipment transferred as a result of the transfer of functions; and

Componentised infrastructure assets.

The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present provisional amounts for depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets and other property plant and equipment using global or other historical costs recorded in the accounting records.

The municipality further did not measure Property, Plant and Equipment in the following instances:

- Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]



		2010 R	2009 R
12	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	1 000 000	1 000 000
		1 000 000	1 000 000
	Non-current assets sold/written off during the year	-	-
	Non-current assets held for sale at end of year - at book value	1 000 000	1 000 000
	The Municipality is in process of selling Erf 440. A possible buyer has been identified namely Cosmic Gold, the property has not been transferred.		
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		
13	INVESTMENT PROPERTY		
	Investment property as at 30 June	1 308 186	1 382 389
	Net Carrying amount at 1 July	1 382 389	1 340 568
	Cost	1 708 206	1 411 806
	Accumulated Depreciation	(325 817)	(71 238)
	Acquisitions	-	296 400
	Correction of error	-	(246 190)
	Depreciation for the year	(74 203)	(8 390)
	Net Carrying amount at 30 June	1 308 186	1 382 389
	Cost	1 708 206	1 708 206
	Accumulated Depreciation	(400 020)	(325 817)
	The fair value of Investment Properties is estimated at:	1 708 206	1 382 389
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		
14	INTANGIBLE ASSETS		
	Net Carrying amount at 1 July	-	-
	Change in Accounting Policy - Transfer from Property, Plant and Equipment	-	-
	Cost	-	-
	Acquisitions	13 565	
	Amortisation	(1 732)	
	Disposals	-	
	Net Carrying amount at 30 June	11 833	-
	Cost	13 565	
	Accumulated amortisation	(1 732)	
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		

		2010 R	2009 R
15	LONG TERM RECEIVABLES		
	Car loans - At amortised cost	-	1 080
	Less: Current portion transferred to current receivables	-	1 080
	Total Long Term Receivables	<u>-</u>	<u>-</u>
	The amount outstanding is in respect of interest outstanding on one loan.		
16	INVENTORY		
	Consumable stores, raw materials, work in progress and finished goods	853 520	318 071
	Correction of prior period error on repairs and maintenance expenditure - Note 32.05	-	580 030
	Total Inventory	<u>853 520</u>	<u>898 101</u>
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		
17	TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS AND NON-EXCHANGE		
	Service Receivables		
	Electricity	5 052 814	3 843 199
	Water	22 523 326	17 073 638
	Housing Rentals	37 030	42 208
	Refuse	14 222 831	10 732 596
	Sewerage	22 835 573	17 661 483
	Other Consumer Arrears	65 769 823	9 446 589
	Other Recoverable Arrears	2 562 613	3 318 562
	Total Service Receivables	<u>133 004 010</u>	<u>62 118 276</u>
	Provision for Impairments	(63 612 130)	(59 938 025)
	Net Service Receivables	<u>69 391 880</u>	<u>2 180 250</u>
	The fair value of receivables approximate their carrying value.		
	(Electricity): Ageing		
	Current (0 - 30 days)	2 164 662	1 595 017
	31 - 60 Days	619 208	361 308
	61 - 90 Days	199 024	178 332
	+ 90 Days	2 069 920	1 708 543
	Total	<u>5 052 814</u>	<u>3 843 199</u>

(Water): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

**2010
R**

2 653 116
1 241 737
640 977
17 987 496

22 523 326

**2009
R**

933 906
623 975
596 200

14 919 558

17 073 638

(Housing): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

37 030

-

-

-

37 030

4 467

723

386

36 633

42 208

(Refuse): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

2 391 703

361 466

340 854

11 128 808

14 222 831

385 352

326 416

309 031

9 711 797

10 732 596

(Sewerage): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

4 183 471

567 797

538 144

17 546 161

22 835 573

638 302

533 833

506 224

15 983 124

17 661 483

(Other Consumer): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

41 237 717

633 694

37 403

5 451 814

47 360 628

83 476

33 794

28 907

9 300 412

9 446 589

TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2010 R	2009 R
Receivables		
Rates	10 147 023	9 100 987
Total Receivables	10 147 023	9 100 987
Provision for Impairments	-	-
Net Receivables	10 147 023	9 100 987
Total Net Receivables from Non-Exchange Transactions	10 147 023	9 100 987

The fair value of receivables approximate their carrying value.

Ageing of Receivables from Non-Exchange Transactions**(Rates): Ageing**

Current (0 - 30 days)	390 885	433 432
31 - 60 Days	185 651	210 241
61 - 90 Days	142 555	179 354
+ 90 Days	9 427 932	8 277 960
Total	10 147 023	9 100 987

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
The ageing of amounts past due but not impaired is as follows:			
2010			
1 month past due	1 756 402	142 555	1 898 957
2 + months past due	54 184 199	9 427 932	63 612 130
Total	55 940 600	9 570 486	65 511 087
2009			
1 month past due	1 619 080	179 354	1 798 434
2 + months past due	51 660 065	8 277 960	59 938 025
Total	53 279 145	8 457 314	61 736 459

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Trade and other receivables impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2010			
Total	54 184 199	9 427 932	63 612 130
2009			
Total	51 660 065	8 277 960	59 938 025

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	59 938 025	41 584 538
Contribution to provision	3 674 105	18 353 488
Doubtful debts written off against provision	-	-
Balance at end of year	63 612 130	59 938 025

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

CASH AND CASH EQUIVALENTS**Assets**

Call and short-term Investments Deposits
CRR - Bank account
Cash Floats

2010
R

2009
R

16 898 018
493 771
1 955

7 871 369
490 723
1 955

Total Cash and Cash Equivalents - Assets

17 393 743

8 364 046

Liabilities

Primary Bank Account

41 884 868

6 812 206

Total Cash and Cash Equivalents - Liabilities

41 884 868

6 812 206

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R16 898 018 are held to fund the Unspent Conditional Grants (2009: R7 871 369).

The municipality has a guarantee of R95 000 relating to Eskom, contract number 31170209875 with no expiry date.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank - Hartswater Branch - Account Number 1930000309
ABSA Bank - Hartswater Branch - Account Number 1930000317

(41 884 868)
493 771

(6 812 206)
490 723

(41 391 097)

(6 321 483)

ABSA Bank - Hartswater Branch - Account Number 1930000309

Cash book balance at beginning of year
Cash book balance at end of year

(6 812 206)
(41 884 868)

(3 902 513)
(6 812 206)

Bank statement balance at beginning of year
Bank statement balance at end of year

1 351 320
1 351 320

133 152
1 351 320

ABSA Bank - Hartswater Branch - Account Number 1930000317

Cash book balance at beginning of year
Cash book balance at end of year

490 723
493 771

269 068
490 723

Bank statement balance at beginning of year
Bank statement balance at end of year

940 723
943 770

940 723

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Investments
EPWP - Taxi Rank
DWAF - Refurbishment
CRR - Investment
Leave Investment

11 264 304
-
2 590 766
1 459 596
1 583 352

2 584 226
9
2 460 402
1 365 980
1 460 752

16 898 018

7 871 369

PROPERTY RATES**Actual****Rateable Land and Buildings**

Residential Property
Commercial Property
Agricultural Purposes
State - National / Provincial Services
Transnet

2010
R

2009
R

6 446 453	6 198 609
3 627 022	3 487 576
1 685 010	1 620 227
781 278	751 241
340 477	327 387
12 665	12 178
-	(788 794)
6 446 453	5 409 815

Less: Rebates**Total Assessment Rates****Valuations****Rateable Land and Buildings**

Residential Property
Commercial Property
Industrial Property
Agricultural Purposes
State - National / Provincial Services
Municipal Property
Transnet

2 315 274 148	2 337 042 705
384 796 589	398 874 464
101 318 440	108 295 101
50 245 102	50 082 752
1 666 462 183	1 664 792 823
47 319 860	36 376 360
63 972 174	77 461 405
1 159 800	1 159 800
2 315 274 148	2 337 042 705

Total Assessment Rates

A General Valuation was performed during the prior year effective from 1 July 2009. No interim valuations were performed.

Assessment Rates are levied on the value of land and improvements.

A rate in the rand for Transnet of R0.0105, Commercial and Industrial of R0.0150, Residential Pensioners of R0.00375 and all other at R0.0090 was charged on the total valuation.

A Rebate was granted on the value of residential properties - R15 000.
Rates of Indigent Household are subsidised on a value of the first R15 000.

Rates are levied monthly and payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates on Income - Basic Rate:

Residential
Residential Pensioners
Commercial & Industrial
Agricultural
State - National / Provincial Services
Transnet

0.90c/R
0.38c/R
1.5c/R
0.90c/R
0.90c/R
1.05c/R

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2010 R	2009 R
21 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	40 700 841	30 751 038
Equitable Share - Refer to Note 21.1	40 700 841	30 751 038
Conditional Grants	33 056 026	27 635 425
DWAF Grant	2 367 000	3 182 000
Other Grants	30 689 026	24 453 425
Total Government Grants and Subsidies	73 756 867	58 386 463

The municipality does not expect any significant changes to the level of grants. No grants had been withheld.
See Appendix F for more details in terms of Section 123 of the MFMA.

21.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R123 per month (2008: R89).

(See Appendix "F" for a reconciliation of all grants).

22 SERVICE CHARGES		
Electricity	34 792 751	25 375 602
Service Charges	34 909 556	25 782 647
Less: Rebates	(116 805)	(407 044)
Water	12 178 764	9 689 797
Service Charges	12 232 021	10 055 444
Less: Rebates	(53 257)	(365 648)
Refuse Removal	4 338 055	3 298 716
Service Charges	4 418 797	3 939 291
Less: Rebates	(80 743)	(640 575)
Sewerage and Sanitation Charges	6 204 346	5 516 023
Service Charges	7 174 529	6 489 479
Less: Rebates	(970 184)	(973 456)
Total Service Charges	57 513 915	43 880 138

23 OTHER INCOME		
Building Plan Fees	13 936	15 894
Consumer Connections	64 220	146 835
Other	2 391 817	537 943
Plant Hire	4 377	8 866
Raw Water	3 515	5 113
Sundries	416 434	71 954
Total Other Income	2 894 299	786 606

24 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	19 823 337	16 819 392
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4 663 116	4 112 493
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 081 232	980 402
Housing Benefits and Allowances	115 974	89 249
Overtime Payments	698 811	455 734
Bonuses	1 350 314	1 860 961
Other Payments	98 816	407 365
Provision for leave	1 601 369	208 825
Contribution to provision - Long Service Awards - Note 4 and 7	(41 701)	96 279
Contribution to provision - Post Retirement Medical - Note 4 and 7	(37 447)	725 787
Total Employee Related Costs	29 353 821	25 756 488

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	368 737	335 215
Motor vehicle Allowance	144 081	130 982
Cell phone Allowance	8 103	-
Housing Subsidy	15 576	-
Annual Bonus	30 728	27 935
Contributions - UIF, Medical, Pension, Bargaining Council Levy	79 489	87 676
Total	646 713	581 808

Remuneration of the Chief Finance Officer

Annual Remuneration
Motor vehicle Allowance
Annual Bonus
Contributions to UIF, Medical and Pension Funds

Total2010
R30 570
6 810
-
7 687**45 067**2009
R-
-
-
-**-**

This Section 57 position was filled on 1 June 2010. Previously all duties were performed by an acting CFO which is not a Section 57 employee.

Remuneration of Director : Technical Services

Annual Remuneration
Motor vehicle Allowance
Cell phone Allowance
Annual Bonus
Contributions - UIF, Medical, Pension, Bargaining Council Levy

Total292 361
143 755
4 861
24 363
75 295**540 635**265 782
130 686
-
22 149
69 102**487 719****Remuneration of Director : Community Services**

Annual Remuneration
Motor vehicle Allowance
Cell phone Allowance
Group Scheme Insurance
Annual Bonus
Leave pay
Contributions - UIF, Medical, Pension, Bargaining Council Levy

Total146 180
71 877
1 980
3 248
12 366
31 575
39 024**306 250**265 782
130 686
-
-
22 149
-
80 278**498 895****Remuneration of Director : Corporate Services**

Annual Remuneration
Motor vehicle Allowance
Cell phone Allowance
Annual Bonus
Contributions - UIF, Medical, Pension, Bargaining Council Levy

Total292 361
143 755
4 861
24 363
72 345**537 684**265 782
130 686
-
22 149
67 509**486 126**

25

REMUNERATION OF COUNCILLORS

Mayor
Speaker
Executive Committee Members
Councillors
Other Councillors' contributions and allowances

Total Councillors' Remuneration594 299
460 975
743 439
1 398 117
922 375**4 119 204**496 509
414 797
617 274
726 586
1 450 060**3 705 224****In-kind Benefits**

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Signed: Municipal Manager

26

DEBT IMPAIRMENT

Receivables - Note 17

Total Contribution to Bad Debts Provision

3 674 105

3 674 105

18 353 488

18 353 488

27

FINANCE CHARGES

External Interest

Total finance charges

987 682

987 682

401 896

401 896

		2010 R	2009 R
28	BULK PURCHASES		
	Electricity	19 490 927	15 132 948
	Water	11 863 525	4 171 985
	Total Bulk Purchases	31 354 452	19 304 933
29	GRANTS AND SUBSIDIES		
	Sedibeng indigent support paid to external service provider	1 639 263	2 791 228
	Total Grants and Susidies	1 639 263	2 791 228
30	GENERAL EXPENSES		
	Sedibeng O&M contribution	3 806 514	2 966 571
	Fuel	874 148	907 114
	Telephone	633 571	713 480
	Legal Cost	570 566	657 205
	Audit Fees	425 148	602 199
	Lease	428 330	541 471
	Subsistence and Travelling	621 555	586 532
	Bank Charges	414 434	473 785
	Waterpurification	773 309	435 146
	Land Survey Cost	7 290	406 115
	Advertising, Printing and Stationary	550 997	388 450
	Security	648 065	373 659
	Membership Fees	187 300	349 372
	Valuation Cost	72 437	324 778
	Oil, Lubrication & Batteries	-	296 420
	Insurance General	314 051	267 373
	Other	5 837 608	6 858 415
		16 165 323	17 148 084

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This includes items such as telecommunications and consulting fees.

31 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

31.01	Trade and Other Payables		
	Balance previously reported:	-	18 254 081
	Transfer of Provision for Leave to Current Employee Benefit - Note 31.02	-	(1 308 545)
	Total	-	16 945 535
31.02	Current Employee Benefits		
	Balance previously reported:	-	-
	Transfer of Provision for Leave from Trade and Other Payables - Note 31.01	-	1 308 545
	Total	-	1 308 545
31.03	Reserves		
	Balance previously reported:	-	-
	Government Grant Reserve	-	(3 266 854)
	Capitalisation Reserve	-	(438 222)
	Capital Replacement Reserve	-	175 250
		-	-
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 31.04	-	3 529 826
	Total	-	-

Phokwane municipality has changed its accounting policy in respect of reserves that was ring-fenced for future use. These reserves were established in accordance with the specimen financial statements issued by National Treasury. Seeing as no standard prescribes the establishment of such reserves, the movements in the Capitalisation, Government Grant and Capital Replacement Reserves is transferred to the Accumulated surplus.

	2010 R	2009 R
31.04 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Transfer from provisions and reserves - Note 31.03	-	(3 529 826)
Capital redemption on finance lease liability recognised against accumulated surplus - Note 31.05	-	-
Non-current provisions recognised for the first time - Note 31.04	-	-
Total	-	(3 529 826)
31.05 Long-term liabilities		
Balance previously reported	-	-
Implementation of GRAP	-	-
Finance Lease liability previously not recognised - Note 3 and 31.05	-	-
Capital redemption on finance lease liability recognised against accumulated surplus - Note 31.04	-	(134 410)
Total	-	(134 410)

32 CORRECTION OF ERROR IN TERMS OF GRAP 3

32.01 Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories
 GRAP 16 – Investment Property
 GRAP 17 – Property, Plant and Equipment
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
 GRAP 102 – Intangible Assets

These provisions were not adopted in the prior year and are now adopted for periods ending on and after 30 June 2009.

	2010 R	2009 R
32.02 Accumulated Depreciation - GRAP 17		
Accumulated Depreciation recorded as they are required by GRAP.		
Opening Balance previously reported	-	39 842 935
Implementation of GRAP	-	(6 266 871)
Backlog Depreciation: Land and Buildings	-	477 143
Backlog Depreciation: Infrastructure	-	83 221
Backlog Depreciation: Community	-	667 403
Backlog Depreciation: Heritage	-	30 080
Backlog Depreciation: Other	-	(7 524 718)
Backlog depreciation: Investment Properties	-	188 352
Transfer to Accumulated Surplus/(Deficit) - Note	-	33 764 416
32.03 Depreciation		
Depreciation correctly recorded as they are required by GRAP.		
Balance previously reported	-	2 866 437
Implementation of GRAP	-	7 014 880
Backlog Depreciation: Land and Buildings	-	190 841
Backlog Depreciation: Infrastructure	-	6 254 196
Backlog Depreciation: Community	-	377 229
Backlog Depreciation: Heritage	-	7 275
Backlog Depreciation: Other	-	185 339
Backlog depreciation: Investment Properties	-	57 838
Transfer to Accumulated Surplus/(Deficit) - Note	-	9 939 155
32.04 Accumulated Surplus/(Deficit)		
Correction done on the accumulated depreciation - Note 32.02	-	(6 078 519)
	-	6 078 519
32.05 Inventory		
Balance previously reported - Inventory		318 071
Correction done on the inventory recognised as repairs and maintenance - note 16	-	580 030
	-	898 101

33	RECONCILIATION OF NETT SURPLUS FOR THE YEAR	2010 R	2009 R
	Balance previously reported	-	21 814 007
	Correction done on the inventory recognised as repairs and maintenance - Note 32.06	-	580 030
		<u>-</u>	<u>22 394 037</u>
34	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
	Surplus for the year	45 186 771	15 321 319
	Adjustments for:		
	Depreciation	12 089 554	9 939 156
	Gain/Loss on disposal of property, plant and equipment	-	(863 376)
	Impairments	-	-
	Contribution from/to provisions - Non-Current	1 147 035	1 253 300
	Contribution from/to provisions - Non-Current - Expenditure incurred	(500 266)	(431 234)
	Contribution from/to provisions - Non-Current - Actuarial losses	-	-
	Contribution from/to provisions - Non-Current - Actuarial gains	-	(558 430)
	Contribution to provisions – current	1 601 369	721 124
	Contribution to provisions – current - Expenditure incurred	(51 142)	(108 817)
	Contribution to provisions – Bad debt	3 674 105	18 353 488
	Bad debts written off	-	-
	Investment income	(6 421 454)	(5 721 213)
	Interest paid	987 682	401 896
	Operating Surplus before changes in working capital	57 713 652	38 307 212
	Changes in working capital	(61 350 289)	(24 848 933)
	Increase/(Decrease) in Trade and Other Payables	16 714 951	(2 502 592)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 582 733)	2 679 238
	Increase/(Decrease) in Taxes	(447 226)	(6 120 796)
	(Increase)/Decrease in Inventory	44 581	(287 878)
	(Increase)/Decrease in Trade Receivables from exchange transactions and non-exchange	(71 931 770)	(16 250 759)
	Increase in Unpaid Conditional Government Grants and Receipts	(4 148 091)	(2 366 145)
	Cash generated by operations	<u>(3 636 637)</u>	<u>13 458 279</u>
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 19	16 898 018	7 871 369
	Cash Floats - Note 19	1 955	1 955
	Bank - Note 19	493 771	490 723
	Bank overdraft - Note 19	(41 884 868)	(6 812 206)
	Total cash and cash equivalents	<u>(24 491 125)</u>	<u>1 551 841</u>

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 35	(24 491 125)	1 551 841
Less:	(24 491 125)	1 551 841
	(2 263 832)	3 466 993
Unspent Committed Conditional Grants - Note 9	(2 263 832)	3 466 993
Unspent Public Contribution - Note	-	-
Unspent Borrowings - Note	-	-
VAT - Note	-	-
Secured Investments	-	-
Net cash resources available for internal distribution	(22 227 293)	(1 915 152)
Allocated to:		
Capital Replacement Reserve	-	-
Employee Benefits Reserve	-	-
Social Contribution Reserve	-	-
Non-Current Provisions Reserve	-	-
Valuation Roll Reserve	-	-
Resources available for working capital requirements	(22 227 293)	(1 915 152)

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	2 835 815	4 092 623
Used to finance property, plant and equipment - at cost	-	-
	2 835 815	4 092 623
Cash set aside for the repayment of long-term liabilities	(2 835 815)	(4 092 623)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and will be repaid by 2028

BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
38.1 Operational				
Revenue by source				
Property Rates	6 446 453	8 354 363	(1 907 910)	-23%
Government Grants and Subsidies - Capital	73 756 867	44 660 000	29 096 867	65%
Actuarial Gains	-	-	-	0%
Fines	148 863	875 000	(726 137)	-83%
Property Rates - penalties imposed and collection charges	-	-	-	0%
Service Charges	57 513 915	44 389 388	13 124 527	30%
Rental of Facilities and Equipment	221 246	90 000	131 246	146%
Interest Earned - external investments	547 873	500 000	47 873	10%
Interest Earned - outstanding debtors	5 873 581	1 800 000	4 073 581	226%
Licences and Permits	1 612 185	965 000	647 185	67%
Agency Services	694 948	650 000	44 948	7%
Other Revenue	2 894 299	1 425 204	1 469 095	103%
	149 710 231	103 708 955	46 001 276	44%
Expenditure by nature				
Employee Related Costs	(29 353 821)	(32 356 578)	3 002 757	-9%
Remuneration of Councillors	(4 119 204)	(5 021 774)	902 570	-18%
Debt Impairment	-	-	-	0%
Depreciation and Amortisation	(12 089 554)	(6 738 397)	(5 351 157)	79%
Impairments	(3 674 105)	(2 665 073)	(1 009 032)	38%
Repairs and Maintenance	(3 865 148)	(3 996 995)	131 847	-3%
Actuarial losses	-	-	-	0%
Finance Charges	(987 682)	(253 813)	(733 869)	289%
Bulk Purchases	(31 354 452)	(27 900 638)	(3 453 814)	12%
Contracted services	(1 274 907)	(865 718)	(409 189)	47%
Grants and Subsidies	(1 639 263)	(2 768 000)	1 128 737	-41%
Operating Grant Expenditure	-	-	-	0%
General Expenses	(16 165 323)	(18 841 315)	2 675 992	-14%
Internal charges	-	(195 361)	195 361	-100%
Contributions to/from Reserves	-	(2 190 293)	2 190 293	-100%
	(104 523 460)	(103 793 955)	(729 505)	1%
Other Gains/Losses				
Loss on Disposal of PPE	-	-	-	0%
Gains on Disposal of PPE	-	85 000	(85 000)	-100%
	-	85 000	(85 000)	-100%
Net Surplus for the year	45 186 771	-	45 186 771	100%

Details of material variances

Provide details for material variances

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
38.2 Expenditure by Vote				
Council and Executive Administration	(5 429 526)	(7 240 652)	1 811 126	-25%
Office of the Municipal Manager	(3 914 979)	(6 009 431)	2 094 452	-35%
Internal Audit	-	-	-	0%
Finance Admin	(9 508 434)	(9 402 296)	(106 138)	1%
Corporate Services and Development Admin	(7 163 835)	(3 612 653)	(3 551 182)	98%
LED	(47 157)	(146 187)	99 030	-68%
Municipal Buildings	(1 166 423)	(1 550 828)	384 405	-25%
Estates	(1 348 482)	(1 180 127)	(168 355)	14%
Ganspan Waterbird Sanctuary	(1 289)	(39 600)	38 311	-97%
Semi-Detached Houses	(877)	(49 687)	48 810	-98%
Staff Housing	(3 122)	(62 687)	59 565	-95%
Council Motor Vehicle	(1 721 902)	(3 616 250)	1 894 348	-52%
Community Services Admin	(2 293 676)	(1 040 642)	(1 253 034)	120%
Cemetery	(272 256)	(102 625)	(169 631)	165%
Traffic	(2 657 952)	(2 605 771)	(52 181)	2%
Parks and Recreation	(1 524 385)	(1 597 647)	73 262	-5%
Clinic	(138 528)	-	(138 528)	100%
Caravan Park	(8 114)	(188 499)	180 385	-96%
Sports Grounds	(468 214)	(242 935)	(225 279)	93%
Fire Fighting and Disaster Management	589 072	(135 869)	724 941	-534%
Motor Vehicle Registration	(912 894)	(1 318 045)	405 151	-31%
Library	(1 321 031)	(1 636 227)	315 196	-19%
Vehicle Test Station	(80 855)	(436 519)	355 664	-81%
Water	(26 700 758)	(31 457 073)	4 756 315	-15%
Electricity (Street Lighting)	(26 603 352)	(28 223 394)	1 620 042	-6%
Public Works	(7 353 003)	(5 973 234)	(1 379 769)	23%
Mechanical Workshop	(323 539)	(457 980)	134 441	-29%
Refuse	(6 137 235)	(5 862 604)	(274 631)	5%
Less Internal Charges	1 989 287	10 395 507	(8 406 220)	-81%
	(104 523 460)	(103 793 955)	(729 505)	1%

Details of material variances

Provide details for material variances

38.3 Capital expenditure by vote				
Council and Executive Administration	-	-	-	0%
Office of the Municipal Manager	-	-	-	0%
Internal Audit	-	-	-	0%
Finance Admin	1 224 208	-	1 224 208	100%
Stores	-	-	-	0%
IT	-	-	-	0%
Rates and Taxes	-	-	-	0%
Corporate Services and Development Admin	-	1 040 000	(1 040 000)	-100%
LED	-	-	-	0%
Municipal Buildings	-	-	-	0%
Estates	-	-	-	0%
Ganspan Waterbird Sanctuary	-	-	-	0%
Semi-Detached Houses	-	-	-	0%
Staff Housing	-	-	-	0%
Council Motor Vehicle	-	-	-	0%
Community Services Admin	37 585	-	37 585	100%
Cemetery	-	-	-	0%
Traffic	-	-	-	0%
Parks and Recreation	-	-	-	0%
Clinic	-	-	-	0%
Caravan Park	-	-	-	0%
Sports Grounds	-	-	-	0%
Fire Fighting & Disaster Management	-	-	-	0%
Motor Vehicle Registration	-	-	-	0%
Library	-	-	-	0%
Vehicle Test Station	-	-	-	0%
Water	4 679 313	2 460 000	2 219 313	90%
Water Consumer Connections	-	8 200 000	(8 200 000)	-100%
Waste Water	9 908 196	6 700 000	3 208 196	48%
Electricity	-	-	-	0%
Electricity Consumer Connections	-	-	-	0%
Public Works	3 186 619	2 621 000	565 619	22%
Mechanical Workshop	-	-	-	0%
Refuse	7 568 547	-	7 568 547	100%
	26 604 467	21 021 000	5 583 467	27%

Details of material variances

Provide details for material variances

38

	2010 R	2009 R				
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED						
38.01	<u>Unauthorised expenditure</u>					
Reconciliation of unauthorised expenditure:						
Opening balance	35 340 141	-				
Unauthorised capital expenditure current year	21 523 467	16 866 049				
Unauthorised operating expenditure current year	5 207 113	18 474 092				
Unauthorised expenditure awaiting authorisation	62 070 720	35 340 141				
<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Over expenditure of approved budget on votes</td><td>None</td></tr></table>			Incident	Disciplinary steps/criminal proceedings	Over expenditure of approved budget on votes	None
Incident	Disciplinary steps/criminal proceedings					
Over expenditure of approved budget on votes	None					
38.02	<u>Fruitless and wasteful expenditure</u>					
None to Management's knowledge						
38.03	<u>Irregular expenditure</u>					
None to Management's knowledge						
38.04	<u>Material Losses</u>					
None to Management's knowledge						

39

CORRECTION OF CLASSIFICATION IN TERMS OF GRAP 1		
Rates previously disclosed in a combined note for trade and other receivables from exchange transactions and non-exchange transactions has as from 2010 been disclosed in a separate note for trade and other receivables from non-exchange transactions.		
This change has been made in order to split the exchange and non-exchange transactions.		
<u>Correction of disclosure</u>		
Trade and other receivables from exchange transactions - note 17	-	(9 100 987)
Trade and other receivables from non-exchange transactions - note 18	-	9 100 987
	-	-

40

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>	
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
40.2	<u>Audit fees - [MFMA 125 (1)(c)]</u>	
Opening balance	-	-
Council subscriptions	425 148	602 199
Amount paid - current year	(425 148)	(602 199)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
	2010 R	2009 R
40.3	<u>VAT - [MFMA 125 (1)(b)]</u>	
Opening balance	-	-
Amounts received - current year	-	-
Amounts claimed - current year (payable)	-	-
Amount paid - current year	-	-
Amount paid - previous year	-	-
Closing balance Cr/(Dt)	-	-
Vat in suspense due to cash basis of accounting	-	-

	2010 R	2009 R
40.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions	-	-
Amount paid - current year	-	-
Balance unpaid (included in creditors)	-	-

	2010 R	2009 R
Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	-	-
Amount paid - current year	-	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

40.5 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:

	Outstanding more than 90 days
Adams EL	294.15
Mashorie KD	6 481.19
Moeketsi DM	6 576.71
Modiagotla HM	27 265.28
Raadt SM	4 539.99
Pitso FO	4 470.88
Dichaba MP	5 313.57
	54 941.77

40.6 Quotations awarded - Section 45 - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	-	-	-	-
Development Services	-	-	-	-
Financial Services	-	-	-	-
Technical Services	-	-	-	-
Electrical Services	-	-	-	-
	-	-	-	-

40.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act

No non-compliance to the Supply Chain Management Regulations were identified by Management

41 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Land & Buildings	-	-
Infrastructure	-	-
Total	-	-

This expenditure will be financed from:

External Loans	-	-
Government Grants	-	-
	-	-

42 RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund, SALA and SAMWU National

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact (sensitivity analysis) on the entity's surplus/deficit for the year due to changes

0.5% (2008 - 2%) Increase in interest rates
1% (2008 - 0.5%) Decrease in interest rates

(12 714)
25 427

(12 714)
25 427

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables, long term receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Credit risk pertaining to trade and other debtors is considered to be high due the diversified nature of debtors and immaterial nature of individual balances.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be high due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. The following balances included in receivables were re-negotiated for the period under review.

2 475 726

2 510 971

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in notes 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	3.25%	2 069 920	2.85%	1 708 543
Water	28.28%	17 987 496	24.89%	14 919 558
Housing Rentals	0.00%	-	0.06%	36 633
Refuse	17.49%	11 128 808	16.20%	9 711 797
Sewerage	27.58%	17 546 161	26.67%	15 983 124
Other Consumer Arrears	8.57%	5 451 814	15.52%	9 300 412
Rates	14.82%	9 427 932	13.81%	8 277 960
	<u>100.00%</u>	<u>63 612 130</u>	<u>100.00%</u>	<u>59 938 025</u>

The following balances were past due but not impaired:

Trade receivables	<u>5 508 510</u>	<u>3 888 724</u>
-------------------	------------------	------------------

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Financial assets exposed to credit risk at year end are as follows:

	2010 R	2009 R
Long term receivables	-	1 080
Trade receivables	69 391 880	2 180 250
Other receivables from non-exchange transactions	10 147 023	9 100 987
Cash and Cash Equivalents	17 393 743	8 364 046
Unpaid conditional grants and subsidies	6 748 770	2 600 678
	<u>103 681 416</u>	<u>22 247 043</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality did not default on any of their trade and other payables commitments during the period under review and no terms were re-negotiated.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
2010				
Long Term liabilities	1 462 614	1 373 201	-	-
Consumer Deposits	1 626 234	-	-	-
Trade and Other Payables	30 850 723	-	-	-
Unspent conditional government grants and receipts	4 484 938	-	-	-
Bank Overdraft	41 884 868	-	-	-
	<u>80 309 377</u>	<u>1 373 201</u>	<u>-</u>	<u>-</u>
2009				
Long Term liabilities	1 257 586	2 835 037	-	-
Consumer Deposits	1 592 574	-	-	-
Trade and Other Payables	14 135 772	-	-	-
Unspent conditional government grants and receipts	6 067 671	-	-	-
Bank Overdraft	6 812 206	-	-	-
	<u>29 865 809</u>	<u>2 835 037</u>	<u>-</u>	<u>-</u>

44

FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables			
Trade and other receivables	Loans and Receivables	79 538 903	11 281 238
Other Debtors			
Government Subsidies and Grants	Loans and Receivables	6 748 770	2 600 678
Current Portion of Long-term Receivables			
Car Loans	Loans and Receivables	-	1 080
Short-term Investment Deposits			
Call Deposits	Available for sale	16 898 018	7 871 369
Bank Balances and Cash			
Bank Balances	Available for sale	493 771	490 723
Cash Floats and Advances	Available for sale	1 955	1 955
		<u>103 681 416</u>	<u>22 247 043</u>

SUMMARY OF FINANCIAL ASSETS

Available for sale
Loans and Receivables

Total Financial Assets

2010
R

17 393 743
86 287 672

103 681 416

2009
R

8 364 047
13 882 996

22 247 043**Financial Liabilities****Classification****Long-term Liabilities**

Annuity Loans
Government Loans : Other
Capitalised Lease Liability

At amortised cost
At amortised cost
At amortised cost

1 000 000
-
373 201

1 000 000
1 206 493
628 544

Consumer deposits

Electricity and Water

At amortised cost

1 626 234

1 592 574

Trade and other Payables

Trade Creditors
Other creditors

At amortised cost
At amortised cost

3 462 705
27 388 018

7 402 154
6 733 619

Unspent Conditional Grants and Receipts

Other Spheres of Government

At amortised cost

4 484 938

6 067 671

Cash and Cash Equivalents

Bank Overdraft

At amortised cost

41 884 868

6 812 206

Current Portion of Long-term Liabilities

Annuity Loans
Government Loans : Other
Capitalised Lease Liability

At amortised cost
At amortised cost
At amortised cost

-
1 207 271
255 343

-
1 044 626
212 960

Total Financial Liabilities**81 682 578****32 700 846****SUMMARY OF FINANCIAL LIABILITY**

At amortised cost

81 682 578**32 700 846****45 EVENTS AFTER THE REPORTING DATE**

None

46 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "D".

48 CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in damages/costs being awarded against the Municipality if claimants are successful in their actions. The following are the estimates:

Purchase of municipal property
Dispute of contractual obligation
Labour dispute: suspension
Labour dispute

-
2 600 000
2 695 000
120 000
90 000

-
5 505 000

49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

49.01 Related Party Transactions

The rates, service charges and other charges charged to related parties are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
Year ended 30 JUNE 2009				
Councillors	15 708	55 932	2 586	65 219
Adams EL	-	2 490	30	1 153
Arends S	1 769	3 149	21	94
Gaebee RR	1 652	1 903	7	300
Gill MM	-	-	-	-
Khen V	-	-	-	-
Mashorie KD	-	1 898	513	7 249
Modiakgotla HM	321	2 650	598	28 576
Modimogale M	1 001	1 398	5	194
Moeketsi DM	428	1 398	510	7 223
Mooketsi S	1 215	18 432	239	8 210
Motshabe SM	-	-	-	-
Nel PJ	9 321	19 820	14	2 456
Paul SS	-	-	-	-
Pitso FO	-	1 398	371	4 960
Raadt SM	-	1 398	279	4 804
Municipal Manager and Section 57 Employees	-	-	-	-
Dichaba MP	3 783	24 375	383	10 897
Sediti TP	-	-	-	-
Pitso TC	-	-	-	-
Motswana M	-	4 749	10	465

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

49.02 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

49.03 Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

49.04 Other related party transactions

The following purchases were made during the year where Councillors or Sect 57 Managers have an interest:

Councillor/Sect 57 Manager

None

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

50.1 GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Landfill sites financed by way of a provision;

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

2010
R

2009
R

50.2 GRAP 100 -Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

50.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

50.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;
Intangible assets financed by way of finance leases;
Intangible assets transferred as a result of the transfer of functions; and
Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

50.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Water;
Land held for sale; and
Other .

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51 Process to comply fully with the implementation of General Recognised Accounting Practices

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011..



APPENDIX A
PHOKWANE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Original Loan Amount	Rate	Redeemable	Balance at 30 JUNE 2009	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
SKINKING FUND							
Sinking Fund loan from ABSA	1 000 000	12.40%		1 000 000	-	-	1 000 000
Total Annuity Loans	1 000 000			1 000 000	-	-	1 000 000
GOVERNMENT LOANS							
DBSA Loan	1 214 810	14.58%	30/06/2011	695 039	-	322 385	372 654
DBSA Loan	1 822 284	14.58%	30/06/2011	1 042 598	-	483 596	559 003
DBSA Loan	898 472	14.58%	30/06/2011	513 482	-	237 867	275 615
Total Government Loans	3 935 566			2 251 119	-	1 043 848	1 207 271
LEASE LIABILITY							
Lease Liability	1 285 662	Varied		841 503	-	212 960	628 544
Total Lease Liability	1 285 662			841 503	-	212 960	628 544
TOTAL EXTERNAL LOANS	6 221 228			4 092 623	-	1 256 808	2 835 815

PHOKWANE MUNICIPALITY

APPENDIX B

PHOKWANE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Change in accounting policy	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
Land and Buildings								
Land and Buildings	5 767 859	-	-	5 767 859	1 755 310	389 999	2 145 309	3 622 550
	5 767 859	-	-	5 767 859	1 755 310	389 999	2 145 309	3 622 550
Infrastructure								
Main: Roads and Stormwater	29 738 388	-	7 568 547	37 306 935	3 594 281	1 366 227	4 960 508	32 346 427
Sewage Mains & Purification	42 105 646	-	9 908 196	52 013 842	15 015 049	3 909 809	18 924 858	33 088 984
Main: Electricity	21 508 851	-	3 186 619	24 695 469	6 914 437	1 791 547	8 705 984	15 989 486
Main: Water and Purification	35 549 960	-	4 679 313	40 229 273	6 415 063	2 200 248	8 615 311	31 613 962
	128 902 845	-	25 342 674	154 245 520	31 938 830	9 267 831	41 206 661	113 038 859
Community Assets								
Recreation Grounds	5 346 683	-	-	5 346 683	1 781 599	460 054	2 241 653	3 105 030
Civil Buildings	2 782 052	-	-	2 782 052	1 219 829	229 916	1 449 745	1 332 307
Libraries	691 087	-	-	691 087	370 357	67 281	437 638	253 449
Parks & Gardens	71 062	-	-	71 062	28 745	5 185	33 930	37 132
Non Residential Structures			37 585	37 585	-	1 529	1 529	36 056
	8 890 884	-	37 585	8 928 469	3 400 531	763 964	4 164 495	4 763 974
Heritage Assets								
Historical Buildings	158 907	-	-	158 907	29 517	5 297	34 814	124 093
Painting & Art Galleries	59 345	-	-	59 345	11 024	1 978	13 002	46 343
	218 252	-	-	218 252	40 541	7 275	47 816	170 436
Total carried forward	143 779 841	-	25 380 259	169 160 100	37 135 212	10 429 069	47 564 281	121 595 819

APPENDIX B

PHOKWANE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Change in accounting policy	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
Total brought forward	143 779 841	-	25 380 259	169 160 100	37 135 212	10 429 069	47 564 281	121 595 819
Housing Rental Stock								
Sub-economical Housing	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
Other Assets								
Office Equipment	1 592 805	-	107 607	1 700 412	437 487	166 591	604 078	1 096 334
Furniture & Fittings	629 391	-	131 875	761 266	237 542	69 392	306 934	454 332
Communication Equipment	94 084	-	-	94 084	35 260	9 408	44 669	49 415
Other	2 746 060	-	-	2 746 060	1 191 480	274 606	1 466 086	1 279 974
Safety Equipment	1 951	-	-	1 951	1 087	195	1 282	669
Fire Equipment	169 348	-	-	169 348	74 544	13 386	87 930	81 418
Vehicles & Plant	7 527 886	-	417 798	7 945 684	3 112 536	789 555	3 902 091	4 043 593
Computer Equipment	912 162	-	363 718	1 275 880	457 226	110 227	567 453	708 427
Machinery and Equipment	-	-	203 209	203 209	-	11 850	11 850	191 360
Non-Capital								
	13 673 687	-	1 224 208	14 897 894	5 547 163	1 445 209	6 992 372	7 905 522
Total Property, Plant and Equipment	161 633 760	-	26 604 467	188 238 227	43 377 755	12 013 619	55 391 374	132 846 853
Intangible Assets								
Intangible Assets	-	-	13 565	13 565	-	1 732	1 732	11 833
	-	-	13 565	13 565	-	1 732	1 732	11 833
Investment Property								
Investment Property	1 708 206	-	-	1 708 206	325 817	74 203	400 020	1 308 186
	1 708 206	-	-	1 708 206	325 817	74 203	400 020	1 308 186
Total	163 341 966	-	26 618 032	189 959 999	43 703 572	12 089 554	55 793 126	134 166 873

PHOKWANE MUNICIPALITY

APPENDIX C (1)

PHOKWANE MUNICIPALITY SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Change in accounting policy	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
Finance & Administration	19 441 546	-	1 224 208	20 665 754	7 302 473	1 835 208	9 137 681	11 528 073
Community & Social	3 691 391	-	37 585	3 728 976	1 630 727	306 001	1 936 728	1 792 248
Housing	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
Sport & Recreation	5 417 745	-	-	5 417 745	1 810 345	465 238	2 275 583	3 142 162
Waste Management (Refuse)	42 105 646	-	9 908 196	52 013 842	15 015 049	3 909 809	18 924 858	33 088 984
Road Transport	29 738 388	-	7 568 547	37 306 935	3 594 281	1 366 227	4 960 508	32 346 427
Water	35 549 960	-	4 679 313	40 229 273	6 415 063	2 200 248	8 615 311	31 613 962
Electricity	21 508 851	-	3 186 619	24 695 469	6 914 437	1 791 547	8 705 984	15 989 486
Total	161 633 760	-	26 604 467	188 238 227	43 377 755	12 013 619	55 391 374	132 846 853

PHOKWANE MUNICIPALITY

APPENDIX C (2) GFS

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Change in accounting policy	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
Budget & Treasury Office	19 441 546	-	1 224 208	20 665 754	7 302 473	1 835 208	9 137 681	11 528 073
Community & Social Services	3 691 391	-	37 585	3 728 976	1 630 727	306 001	1 936 728	1 792 248
Housing	4 180 233	-	-	4 180 233	695 380	139 341	834 721	3 345 512
Sport & Recreation	5 417 745	-	-	5 417 745	1 810 345	465 238	2 275 583	3 142 162
Waste Management	42 105 646	-	9 908 196	52 013 842	15 015 049	3 909 809	18 924 858	33 088 984
Road Transport	29 738 388	-	7 568 547	37 306 935	3 594 281	1 366 227	4 960 508	32 346 427
Water	35 549 960	-	4 679 313	40 229 273	6 415 063	2 200 248	8 615 311	31 613 962
Electricity	21 508 851	-	3 186 619	24 695 469	6 914 437	1 791 547	8 705 984	15 989 486
Total	161 633 760	-	26 604 467	188 238 227	43 377 755	12 013 619	55 391 374	132 846 853

PHOKWANE MUNICIPALITY

APPENDIX D (1)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
19 784 563	(5 841 670)	13 942 893	Council and Executive Administration	28 550 294	(5 429 526)	23 120 768
-	-	-	Office of the Municipal Manager	5 506	(3 914 979)	(3 909 473)
-	-	-	Internal Audit	-	-	-
37 522 161	(20 045 450)	17 476 712	Finance Admin	3 903 014	(9 270 869)	(5 367 855)
-	-	-	Stores	-	(123 471)	(123 471)
-	-	-	IT	-	(88 530)	(88 530)
-	-	-	Rates and Taxes	20 766 807	-	20 766 807
11 451	(7 281 317)	(7 269 866)	Corporate Services and Development Admin	1 450 648	(7 163 835)	(5 713 187)
-	-	-	LED	1 290	(47 157)	(45 867)
-	-	-	Municipal Buildings	173 250	(915 722)	(742 472)
-	-	-	Estates	44 946	(1 348 482)	(1 303 536)
-	-	-	Ganspan Waterbird Sanctuary	-	(1 289)	(1 289)
-	-	-	Semi-Detached Houses	1 003	(877)	126
86 334	-	86 334	Staff Housing	1 062	(3 122)	(2 060)
-	-	-	Council Motor Vehicle	-	(1 721 902)	(1 721 902)
-	(432 250)	(432 250)	Community Services Admin	15 366	(2 293 676)	(2 278 310)
37 806	(14 728)	23 078	Cemetery	12 535	(272 256)	(259 721)
2 243 342	(4 762 896)	(2 519 554)	Traffic	1 886 671	(2 657 952)	(771 281)
15 894	(3 063 924)	(3 048 030)	Parks and Recreation	-	(1 524 385)	(1 524 385)
-	(530 205)	(530 205)	Clinic	-	(129 125)	(129 125)
-	-	-	Caravan Park	280	(6 627)	(6 347)
8 668	(113 010)	(104 342)	Sports Grounds	5 100	(468 214)	(463 114)
-	-	-	Fire Fighting & Disaster Management	-	589 072	589 072
-	-	-	Motor Vehicle Registration	313 486	(912 894)	(599 408)
5 375	(1 091 729)	(1 086 353)	Library	437 152	(1 321 031)	(883 879)
-	-	-	Vehicle Test Station	90 360	(72 957)	17 403
14 397 768	(17 981 785)	(3 584 017)	Water	21 036 481	(19 741 405)	1 295 076
-	-	-	Water Consumer Connections	9 031	(31 846)	(22 815)
11 610 790	(12 144 437)	(533 647)	Waste Water	18 294 472	(5 419 500)	12 874 971
26 962 011	(19 385 724)	7 576 287	Electricity	37 562 781	(26 546 562)	11 016 219
-	-	-	Electricity Consumer Connections	118 596	(56 790)	61 806
-	(929 142)	(929 142)	Public Works	10 070 169	(7 166 859)	2 903 311
-	-	-	Mechanical Workshop	-	(323 456)	(323 456)
5 251 060	(8 997 639)	(3 746 579)	Refuse	4 959 930	(6 137 235)	(1 177 306)
117 937 225	(102 615 905)	15 321 319	Sub Total	149 710 231	(104 523 460)	45 186 771
6 107 387	(6 107 387)	-	Less Inter-Departmental Charges	1 989 287	(1 989 287)	-
124 044 611	(108 723 292)	15 321 319	Total	151 699 517	(106 512 747)	45 186 771

PHOKWANE MUNICIPALITY

APPENDIX D (2)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
19 784 563	(6 510 699)	13 273 864	Executive and council	28 555 800	(11 154 937)	17 400 862
37 033 760	(11 904 015)	25 129 745	Budget and treasury office	24 669 821	(9 394 339)	15 275 482
490 897	(7 401 711)	(6 910 814)	Corporate Services	1 668 844	(9 428 040)	(7 759 195)
59 075	(4 472 337)	(4 413 262)	Community and social services	465 053	(3 886 963)	(3 421 910)
8 668	(491 693)	(483 025)	Sport and recreation	5 380	(2 000 514)	(1 995 134)
-	(99 051)	(99 051)	Public Safety	2 290 518	(3 054 731)	(764 213)
86 334	(210 409)	(124 075)	Housing	2 065	(3 999)	(1 934)
-	(765 288)	(765 288)	Health	-	(129 125)	(129 125)
8 956	(4 183 075)	(4 174 119)	Planning and development	1 290	(47 157)	(45 867)
2 243 342	(4 505 306)	(2 261 964)	Road transport	10 070 169	(7 490 315)	2 579 854
		-	Environmental protection	-	-	-
26 962 011	(20 697 405)	6 264 606	Electricity	37 681 377	(26 603 352)	11 078 025
14 397 768	(19 004 168)	(4 606 400)	Water	21 045 512	(19 773 251)	1 272 261
11 610 790	(12 619 566)	(1 008 777)	Water waste management	18 294 472	(5 419 500)	12 874 971
5 251 060	(9 751 183)	(4 500 123)	Waste management	4 959 930	(6 137 235)	(1 177 306)
117 937 225	(102 615 905)	15 321 319	Sub Total	149 710 231	(104 523 460)	45 186 771
6 107 387	(6 107 387)	-	Less Inter-Departmental Charges	1 989 287	(1 989 287)	-
124 044 611	(108 723 292)	15 321 319	Total	151 699 517	(106 512 747)	45 186 771

PHOKWANE MUNICIPALITY

APPENDIX E (1)

REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)
REVENUE				
Property Rates	6 446 453	8 354 363	(1 907 910)	-22.84%
Grants and Subsidies Received - Operating	73 756 867	44 660 000	29 096 867	65.15%
Public Contributions and Donations	-	-	-	0.00%
Fines	148 863	875 000	(726 137)	-82.99%
Third Party Payments	-	-	-	0.00%
Stock Adjustments	-	-	-	0.00%
Actuarial Gains	-	-	-	0.00%
Property Rates - Penalties & Collection Charges	-	-	-	0.00%
Service Charges	57 513 915	44 389 388	13 124 527	29.57%
Water Services Authority Contribution	-	-	-	0.00%
Rental of Facilities and Equipment	221 246	90 000	131 246	145.83%
Interest Earned - External Investments	547 873	500 000	47 873	9.57%
Interest Earned - Outstanding Debtors	5 873 581	1 800 000	4 073 581	226.31%
Licences and Permits	1 612 185	965 000	647 185	67.07%
Agency Services	694 948	650 000	44 948	6.92%
Other Revenue	2 894 299	1 425 204	1 469 095	103.08%
Unamortised Discount - Interest	-	-	-	0.00%
Dividends Received	-	-	-	0.00%
Contributed PPE	-	-	-	0.00%
Gain on disposal of Property, Plant and Equipment	-	85 000	(85 000)	-100.00%
Total Revenue	149 710 231	103 793 955	45 916 276	44.24%
EXPENDITURE				
Council and Executive Administration	(5 429 526)	(7 240 652)	1 811 126	-25.01%
Office of the Municipal Manager	(3 914 979)	(6 009 431)	2 094 452	-34.85%
Finance Admin	(9 508 434)	(9 402 296)	(106 138)	1.13%
Corporate Services and Development Admin	(7 163 835)	(3 612 653)	(3 551 182)	98.30%
LED	(47 157)	(146 187)	99 030	-67.74%
Municipal Buildings	(1 166 423)	(1 550 828)	384 405	-24.79%
Estates	(1 348 482)	(1 180 127)	(168 355)	14.27%
Ganspan Waterbird Sanctuary	(1 289)	(39 600)	38 311	-96.74%
Semi-Detached Houses	(877)	(49 687)	48 810	-98.23%
Staff Housing	(3 122)	(62 687)	59 565	-95.02%
Council Motor Vehicle	(1 721 902)	(3 616 250)	1 894 348	-52.38%
Community Services Admin	(2 293 676)	(1 040 642)	(1 253 034)	120.41%
Cemetery	(272 256)	(102 625)	(169 631)	165.29%
Traffic	(2 657 952)	(2 605 771)	(52 181)	2.00%
Parks and Recreation	(1 524 385)	(1 597 647)	73 262	-4.59%
Clinic	(138 528)	-	(138 528)	0.00%
Caravan Park	(8 114)	(188 499)	180 385	-95.70%
Sports Grounds	(468 214)	(242 935)	(225 279)	92.73%
Fire Fighting and Disaster Management	589 072	(135 869)	724 941	-533.56%
Motor Vehicle Registration	(912 894)	(1 318 045)	405 151	-30.74%
Library	(1 321 031)	(1 636 227)	315 196	-19.26%
Vehicle Test Station	(80 855)	(436 519)	355 664	-81.48%
Water	(26 700 758)	(31 457 073)	4 756 315	-15.12%
Electricity (Street Lighting)	(26 603 352)	(28 223 394)	1 620 042	-5.74%
Public Works	(7 353 003)	(5 973 234)	(1 379 769)	23.10%
Mechanical Workshop	(323 539)	(457 980)	134 441	-29.36%
Refuse	(6 137 235)	(5 862 604)	(274 631)	4.68%
Less Internal Charges	1 989 287	10 395 507	(8 406 220)	-80.86%
Total Expenditure	(104 523 460)	(103 793 955)	(729 505)	0.70%
SURPLUS / (DEFICIT) FOR THE YEAR	45 186 771	-	45 186 771	

The expenditure above includes non-cash items to the amount of R12 089 554

PHOKWANE MUNICIPALITY

APPENDIX E (2)

REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)
REVENUE				
Property Rates	6 446 453	8 354 363	(1 907 910)	-22.84%
Grants and Subsidies Received - Operating	73 756 867	44 660 000	29 096 867	65.15%
Public Contributions and Donations	-	-	-	0.00%
Fines	148 863	875 000	(726 137)	-82.99%
Third Party Payments	-	-	-	0.00%
Stock Adjustments	-	-	-	0.00%
Actuarial Gains	-	-	-	0.00%
Property Rates - Penalties & Collection Charges	-	-	-	0.00%
Service Charges	57 513 915	44 389 388	13 124 527	29.57%
Water Services Authority Contribution	-	-	-	0.00%
Rental of Facilities and Equipment	221 246	90 000	131 246	145.83%
Interest Earned - External Investments	547 873	500 000	47 873	9.57%
Interest Earned - Outstanding Debtors	5 873 581	1 800 000	4 073 581	226.31%
Licences and Permits	1 612 185	965 000	647 185	67.07%
Agency Services	694 948	650 000	44 948	6.92%
Other Revenue	2 894 299	1 425 204	1 469 095	103.08%
Unamortised Discount - Interest	-	-	-	0.00%
Dividends Received	-	-	-	0.00%
Contributed PPE	-	-	-	0.00%
Gain on disposal of Property, Plant and Equipment	-	85 000	(85 000)	-100.00%
Total Revenue	149 710 231	103 793 955	45 916 276	44.24%
EXPENDITURE				
Executive and council	(11 154 937)	(17 294 461)	6 139 524	-35.50%
Budget and treasury office	(19 098 644)	(8 826 767)	(10 271 877)	116.37%
Corporate Services	-	(6 343 608)	6 343 608	-100.00%
Community and social services	(3 886 963)	(2 779 494)	(1 107 469)	39.84%
Sport and recreation	(2 002 002)	(2 068 681)	66 679	-3.22%
Public Safety	(3 062 630)	(4 496 204)	1 433 574	-31.88%
Housing	(3 999)	(112 374)	108 375	-96.44%
Health	(138 528)	-	(138 528)	0.00%
Planning and development	(47 157)	(146 187)	99 030	-67.74%
Road transport	(7 676 542)	(6 431 214)	(1 245 328)	19.36%
Environmental protection	-	-	-	0.00%
Electricity	(26 603 352)	(28 223 394)	1 620 042	-5.74%
Water	(20 561 424)	(19 851 650)	(709 774)	3.58%
Water waste management	(6 139 334)	(11 605 423)	5 466 089	-47.10%
Waste management	(6 137 235)	(5 862 604)	-	-
Less: Interdepartmental Charges	1 989 287	10 248 106	(8 258 819)	-80.59%
Total Expenditure	(104 523 460)	(103 793 955)	(454 874)	0.44%
SURPLUS / (DEFICIT) FOR THE YEAR	45 186 771	-	45 461 402	

The expenditure above includes non-cash items to the amount of R12 089 554

PHOKWANE MUNICIPALITY

APPENDIX E (3)

**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
AQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGABLE ASSETS
MUNICIPAL VOTES CLASSIFICATION**

	2010 Actual	2010 Budget	2010 Variance	2010 Variance
	R	R	R	%
Finance Admin	1 224 208	-	1 224 208	100%
Corporate Services and Development Admin	-	1 040 000	(1 040 000)	-100.00%
Community Services Admin	37 585	-	37 585	100%
Water	4 679 313	2 460 000	2 219 313	90.22%
Water Consumer Connections	-	8 200 000	(8 200 000)	-100.00%
Waste Water	-	6 700 000	(6 700 000)	-100.00%
Electricity	3 186 619	-	3 186 619	100%
Electricity Consumer Connections	-	-	-	#DIV/0!
Public Works	7 568 547	2 621 000	4 947 547	188.77%
Mechanical Workshop	-	-	-	#DIV/0!
Refuse	9 908 196	-	9 908 196	100%
Total	26 604 467	21 021 000	5 583 467	26.56%

APPENDIX E (4)

**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
AQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGABLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual	2010 Budget	2010 Variance	2010 Variance
	R	R	R	%
Budget and treasury office	1 224 208	-	1 224 208	100.00%
Corporate Services	-	1 040 000	(1 040 000)	-100.00%
Community and social services	37 585	-	37 585	100.00%
Road transport	7 568 547	2 621 000	4 947 547	188.77%
Electricity	3 186 619	-	3 186 619	100.00%
Water	4 679 313	10 660 000	(5 980 687)	-56.10%
Water waste management	-	6 700 000	(6 700 000)	-100.00%
Waste management	9 908 196	-	9 908 196	100.00%
Total	26 604 467	21 021 000	5 583 467	26.56%

PHOKWANE MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2009	Correction of error/ Transfers	Restated balance 1 JULY 2009	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R	R	R	R	R	R
Equitable Share	-	-	-	40 700 841	40 700 841	-	-0
DWAF - Sedibeng	-	-	-	2 367 000	2 367 000	-	-
MIG Grant	(2 025 207)	-	(2 025 207)	18 805 000	-	20 250 821	-3 471 028
Housing Subsidy Grant	59 300	-	59 300	-	-	-	59 300
MSIG	131 729	-	131 729	850 000	386 103	176 091	419 535
Tlhagadillijang Elec. DME	(329 798)	-	(329 798)	-	-	-	-329 798
Library Pampierstad Grant	(20 452)	-	(20 452)	-	-	-	-20 452
Library Hartswater Grant	551 845	-	551 845	484 000	447 914	-	587 932
J/Kemp housing/Pampierstad	137 581	-	137 581	-	-	-	137 581
EPWP Taxi Rank	2 624 430	-	2 624 430	-	-	-	2 624 430
S E T A	1 053	-	1 053	-	-	-	1 053
Elec. Substation-Frances Baa	53 315	-	53 315	-	-	-	53 315
NLDTF LOTTO	(50 585)	-	(50 585)	-	-	-	-50 585
Creche : Bonita Park	3 546	-	3 546	-	-	-	3 546
49 Houses/Water - DPLG (NC)	5 418	-	5 418	-	-	-	5 418
DWAF - Referbishment	1 501 142	-	1 501 142	-	-	3 775 645	-2 274 503
Financial Managment Grant	(153 294)	-	(153 294)	750 000	419 623	127 391	49 691
Sapo	3 497	-	3 497	-	-	-	3 497
Sport Development	22 908	-	22 908	3 450	-	8 936	17 422
Thagadipilejang Fund	(21 341)	-	(21 341)	-	-	-	-21 341
FBDM O&M	593 187	-	593 187	1 623 151	1 291 658	781 181	143 499
EPWP Bonita Park	213 727	-	213 727	-	-	-	213 727
DWAF Water loss	164 992	-	164 992	-	-	-	164 992
DME grant - Ganspan Electrification	-	-	-	2 442 600	-	3 023 662	-581 062
Total	3 466 993	-	3 466 993	68 026 042	45 613 139	28 143 728	(2 263 832)

